

TOWN OF SHREWSBURY, MASSACHUSETTS

**REPORT ON THE EXAMINATION
OF BASIC FINANCIAL STATEMENTS**

FISCAL YEAR ENDED JUNE 30, 2012

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Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Shrewsbury, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Shrewsbury, Massachusetts, as of and for the year ended June 30, 2012 except for the Shrewsbury Contributory Retirement System, the Shrewsbury Electric and Cable Operations (SELCO) – Electric and the Shrewsbury Electric and Cable Operations (SELCO) – Cable, which are as of and for the year ended December 31, 2011, which collectively comprise the Town of Shrewsbury, Massachusetts' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Shrewsbury, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Shrewsbury Electric and Cable Operations (SELCO) – Electric, which represents 50% of the assets, 46% of the net assets and 60% of the revenues of the proprietary fund types and the Shrewsbury Electric and Cable Operations (SELCO) – Cable, which represents 22% of the assets, 23% of the net assets and 26% of the revenues of the proprietary fund types. These financial statements were audited by other auditors whose report thereon has been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Shrewsbury Electric and Cable Operations (SELCO) – Electric and the Shrewsbury Electric and Cable Operations (SELCO) – Cable, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Shrewsbury, Massachusetts, as of June 30, 2012, (except for the Shrewsbury Contributory Retirement System, the Shrewsbury Electric and Cable Operations (SELCO) – Electric and the Shrewsbury Electric and Cable Operations (SELCO) – Cable which are as of and for the year ended December 31, 2011), and the respective changes in financial position and, where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2013, on our consideration of the Town of Shrewsbury, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit

performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, appearing on pages 3 through 11, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Government Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Shrewsbury, Massachusetts' financial statements as a whole. The Supplementary Schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The Supplementary Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Scanlon Associates, LLC
Scanlon & Associates, LLC
South Deerfield, Massachusetts

February 8, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Town of Shrewsbury, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2012.

Financial Highlights

- The Town's assets exceeded its liabilities by \$190,895,059 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$177,703,050 an increase of \$13,192,009 (7%).
- At the close of the current fiscal year, the Town's governmental funds reported total ending fund balance of \$28,022,489, an increase of \$11,407,471 (69%) in comparison with prior year
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$7,466,480 or 8% of revenues and other sources and 8% of expenditures and other uses.
- Total liabilities of the Town increased by \$563,384 (.45%) to \$125,205,569 during the fiscal year. This net change resulted from a net decrease in current liabilities of \$17,142,459 (the major component of which was a decrease in bond anticipation notes of \$19,433,264) and a net increase in noncurrent liabilities of \$17,705,843 (the major components of which were an increase in the OPEB liability of \$3,826,616 and an increase in bonds payable of \$13,888,250.)

Overview of the Financial Statements

This discussion and analysis is intended to serve, as an introduction to the Town of Shrewsbury's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of finances, in a manner similar to private-sector business.

The *statement of net assets* presents information on all assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, public works (including water), education, health and human services, culture and recreation, employee benefits and insurance, state assessments and interest. The business-type activities include the sewer, solid waste, electric light and community cablevision activities.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure

and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Shrewsbury adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. The Town maintains the following type of proprietary fund.

Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its sewer, solid waste, electric light and community cablevision activities.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Statement of Net Assets Highlights

	Governmental Activities		
	2012	2011	Change
Assets:			
Current assets	\$ 53,813,710	\$ 61,237,671	\$ (7,423,961)
Noncurrent assets (excluding capital assets)	23,683,858	26,225,729	(2,541,871)
Capital assets	146,208,712	126,435,366	19,773,346
Total assets	223,706,280	213,898,766	9,807,514
Liabilities:			
Current liabilities (excluding debt)	11,268,481	10,525,141	743,340
Noncurrent liabilities (excluding debt)	21,011,921	16,800,029	4,211,892
Current debt	16,525,851	35,430,016	(18,904,165)
Noncurrent debt	61,215,562	46,636,413	14,579,149
Total liabilities	110,021,815	109,391,599	630,216
Net Assets:			
Capital assets net of related debt	94,592,279	92,095,800	2,496,479
Restricted	24,808,821	14,215,719	10,593,102
Unrestricted	(5,716,635)	(1,804,352)	(3,912,283)
Total net assets	\$ 113,684,465	\$ 104,507,167	\$ 9,177,298

	Business-Type Activities		
	2012	2011	Change
Assets:			
Current assets	\$ 33,449,107	\$ 41,609,924	\$ (8,160,817)
Noncurrent assets (excluding capital assets)	12,017,387	1,018,306	10,999,081
Capital assets	46,927,854	45,818,239	1,109,615
Total assets	92,394,348	88,446,469	3,947,879
Liabilities:			
Current liabilities (excluding debt)	4,068,616	3,565,986	502,630
Noncurrent liabilities (excluding debt)	8,246,565	8,640,864	(394,299)
Current debt	1,212,635	696,899	515,736
Noncurrent debt	1,655,938	2,346,837	(690,899)
Total liabilities	15,183,754	15,250,586	(66,832)
Net Assets:			
Capital assets net of related debt	44,059,281	42,774,503	1,284,778
Restricted	3,256,531	3,208,078	48,453
Unrestricted	29,894,782	27,213,302	2,681,480
Total net assets	\$ 77,210,594	\$ 73,195,883	\$ 4,014,711

Financial Highlights

Statement of Activities Highlights

	Governmental Activities		
	2012	2011	Change
Program Revenues:			
Charges for services	\$ 12,122,712	\$ 12,077,977	\$ 44,735
Operating grants and contributions	34,691,672	33,790,096	901,576
Capital grants and contributions	14,171,633	5,544,298	8,627,335
General Revenues:			
Property taxes	52,582,794	49,946,893	2,635,901
Motor vehicle excise and other taxes	4,577,463	4,487,869	89,594
Hotel room occupancy taxes	433,960	419,461	14,499
Penalties and interest on taxes	245,132	281,400	(36,268)
Nonrestricted grants	3,584,358	2,886,863	697,495
Unrestricted investment income	524,554	719,918	(195,364)
Total revenues	122,934,278	110,154,775	12,779,503
Expenses:			
General government	6,244,276	6,273,732	(29,456)
Public safety	8,404,848	7,816,120	588,728
Public works (including water)	5,009,205	5,139,517	(130,312)
Education	62,468,967	60,226,305	2,242,662
Health and human services	730,305	731,880	(1,575)
Culture and recreation	2,232,572	2,482,132	(249,560)
Employee benefits and insurance	24,179,568	23,587,686	591,882
State assessments	1,732,451	1,737,624	(5,173)
Interest	2,781,516	2,509,953	271,563
Total expenses	113,783,708	110,504,949	3,278,759
Transfers	26,728	189,931	(163,203)
Change in net assets	9,177,298	(160,243)	9,337,541
Net assets - beginning of year	104,507,167	104,667,410	(160,243)
Net assets - end of year	\$ 113,684,465	\$ 104,507,167	\$ 9,177,298

	Business-Type Activities		
	2012	2011	Change
Program Revenues:			
Charges for services	\$ 55,853,823	\$ 52,337,459	\$ 3,516,364
Operating grants and contributions	113,259	96,981	16,278
Total revenues	55,967,082	52,434,440	3,532,642
Expenses:			
Sewer	4,673,577	4,133,885	539,692
Solid waste	1,764,849	1,730,667	34,182
Electric light	31,798,474	31,273,548	524,926
Community Cablevision	13,634,362	12,838,120	796,242
Total expenses	51,871,262	49,976,220	1,895,042
Transfers	(81,109)	(131,614)	50,505
Change in net assets	4,014,711	2,326,606	1,688,105
Net assets - beginning of year	73,195,883	70,869,277	2,326,606
Net assets - end of year	\$ 77,210,594	\$ 73,195,883	\$ 4,014,711

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$190,895,059 at the close of FY 2012.

Net assets of \$138,651,560 (72%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net assets \$28,065,352 (15%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$24,178,147 (13%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in two categories of net assets and a negative balance in the unrestricted category in the governmental activities. The unrestricted in the governmental activities is a negative as a result of recognizing the increase in the OPEB liability.

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net assets for the business-type activities

The governmental activities net assets increased by \$9,177,298 during the current fiscal year. The significant reason for the increase in net assets is attributed the grant received from the Massachusetts School Building Authority for the middle school construction and green project amounting to \$12,870,814.

There was an increase of \$4,014,711 in net assets reported in the business-type activities. Of this, the sewer fund, electric light fund and cable operations fund incurred increases of \$2,445,852, \$1,362,185 and \$236,190, respectively and the solid waste fund incurred a decrease of \$29,516.

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing financing requirements. In particular, the general fund *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$28,022,489 an increase of \$11,407,471 (69%) in comparison with the prior year. A majority of the increase is from the issuance of bonds for the Sherwood Middle School Construction project

Breakdown of the governmental funds are as follows:

- Restricted fund balance - \$15,666,647 (56%)
- Committed fund balance - \$3,218,713 (11%)
- Assigned fund balance - \$8,002,958 (29%)
- Unassigned fund balance - \$1,134,171 (4%)

Major Governmental Funds

At the end of the fiscal year, the General Fund reported a total fund balance of \$16,747,206 increasing \$1,291,119 (8%) from the prior year. Of the \$16,747,206, the unassigned amount is \$7,466,480, the assigned amount is \$7,960,911 and the restricted amount is \$1,319,815. General fund revenues were \$2,304,606 (2%) more than the prior fiscal year and expenditures increased by \$2,353,200 (3%). Other activity in the General Fund were net transfers to nonmajor governmental funds of \$902,372, net transfers from the business-type activities of \$26,728 and premium on bonds of \$901,314.

Changes of more than 10% in general fund revenues as compared to the prior year were as follows:

Decreases:

- Interest on taxes \$36,268 (13%)
- Interest on investments \$195,365 (27%), as a result of market conditions.

Changes of more than 10% in general fund expenditures as compared to the prior year were as follows:

Increases:

- Public Safety \$705,349 (10%)
- Interest \$729,891 (35%)
- Employees benefits and insurance \$1,832,005 (10%)

Decrease:

- Public Works \$874,601 (18%)

The *Sherwood middle school construction project fund* is used to account for financial resources to construct a new middle school. The fund has a fund balance of \$6,056,601 at June 30, 2012.

The fund balance of the fund increased by \$9,782,999. This amount was attributed to the receipt of Massachusetts Building Authority funds of \$12,120,892, capital expenditures of \$22,337,893 and proceeds from the issuance of bonds of bonds for \$20,000,000.

The *Allen Farm Property Acquisition fund* has a negative fund balance of \$6,058,902. The fund is used to account for financial resources to acquire the land and buildings situated in the Town. The fund ended fiscal year 2012 with a negative fund balance due to the fact that interim financing is being accomplished with bond

anticipation notes. A total of \$6,100,000 in bond anticipation notes were outstanding. Permanent financing will be done once the project nears completion.

The fund balance of the fund decreased by \$2,442 and was attributed to expenditures.

Major Proprietary Funds

The proprietary funds statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status.

The *Sewer Fund* is the financing and operations of the Town's sewer system. The sewer fund shows an increase of \$2,445,852 attributed to operating revenues exceeding current operating costs by \$2,442,217, intergovernmental revenues of \$10,751, interest expense of \$9,450 and transfers in from the general fund of \$2,334. Operating revenues increased by \$2,075,585 (41%) while operating expenses increased by \$540,488 (13%) from the prior year. Net assets increased by \$2,445,852 (11%).

The *Solid Waste Fund* is the financing and operations of the Town's solid waste operations. The solid waste fund shows a decrease of \$29,516 attributed to operational expenditures exceeding revenues by \$877,266 and transfers in from the general fund for \$847,750. Operating revenues decreased by \$15,819 (2%) while operating expenses increased by \$34,182 (2%) from the prior year. Net assets decreased by \$29,516 (13%).

The *Electric Light Fund* is used to account for activities of the government's electric distribution operations. The fund at December 31, 2011 shows an increase of \$1,362,185, attributed to operating revenues exceeding operating expenses by \$1,521,147, investment income of \$93,866, interest expense of \$62,633, other revenue of \$8,642 and transfers to the general fund of \$198,837. Operating revenues increased by \$797,804 (2%) while operating expenses increased by \$542,761 (2%) from the prior year. Net assets increased by \$1,362,185 (4%).

The *Cable Operations Fund* provides transmission of cable television signals, and the installations necessary for the customers to receive them. The fund at December 31, 2011 shows an increase of \$236,190, attributed to operating revenue exceeding operating expenses of \$993,356, interest expense of \$30,300, other income of \$5,490 and transfers to the general fund of \$732,356.

General Fund Budgetary Highlights

The final general fund budget for fiscal year 2012 was \$95,971,260. This was an increase of \$3,020,822 over the previous year's budget.

There was an increase of \$1,212,484 between the original budget and the final amended budget. The change is attributed to the Town amending specific budget line items of the final budget as follows:

- General government was decreased \$31,425.
- Public safety was increased \$574,739.
- Public works was increased \$30,155.
- Health and human services was increased \$10,415.
- Culture and recreation was increased \$34,164.
- Employee benefits and insurance was increased \$218,685.
- Interest on debt was increased \$375,751.

Of the \$7,150,397 in under budget expenditures \$5,015,270 has been carried over to fiscal year 2013.

There is a negative variance in interest on investments of \$83,156. The negative variance in interest on investments was attributed to a drop in interest rates.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2012, (December 31, 2011 for the electric light fund and the cable operations fund) amounts to \$146,208,712 and \$46,927,854, respectively.

The investment in capital assets includes land, construction in progress, buildings and renovations, machinery, equipment and other and infrastructure.

Major capital acquisitions during the current fiscal year in the governmental type funds included the following:

- Department of public works vehicles for \$229,775.
- Police vehicles and equipment for \$140,840.
- Water infrastructure system improvements for \$60,585.
- Road infrastructure improvements for \$738,340.
- Spring Street school project for \$542,330.
- New Sherwood Middle school construction for \$22,337,894
- Other various school improvement projects for \$1,010,325

Major capital acquisitions during the current fiscal year in the business-type funds included the following:

In the sewer fund:

- Sewer infrastructure improvements for \$1,725,755.

In the electric light and cablevision funds:

- capital acquisitions (excluding construction in progress) were \$927,096 and \$2,482,371, respectively.

Debt Administration. The Town's outstanding governmental debt, as of June 30, 2012, totaled \$66,422,077 (excluding the unamortized gain on the advance refunding bond). The primary debt is education debt of \$57,741,000, conservation land acquisition debt of \$2,490,000, fire facility renovations of \$5,280,000, a water tank for \$750,000 and septic Title V debt of \$161,077. Debt also includes bond anticipation notes of \$10,425,000, comprised of \$6,100,000 for land acquisition, \$700,000 water system improvements, \$2,900,000 for the Sherwood Middle School project and \$725,000 for the Spring Street School project.

The business-type funds have \$2,346,837 consisting of sewer activity debt of \$267,837, electric light activity debt of \$1,049,000 (at December 31, 2011) and cable operations activity debt of \$1,030,000 (at December 31, 2011). Debt also includes a short term interim loan from the Massachusetts Water Pollution Abatement Trust of \$521,736 for the sewer fund.

Please refer to notes 3C, 3E and 3F for further discussion of the capital and debt activity.

Next Year's Annual Town Meeting

The Town of Shrewsbury operates under the "Representative Meeting" concept where each registered voter elects a representative to vote in adopting of Town budgets and appropriations. The financial statements for June 30, 2012 do not reflect the fiscal year 2013 Town Meeting action, The Annual Town Meeting on May 23, 2012 authorized a fiscal year 2013 operating and capital budget as follows:

From the tax levy	\$ 90,219,940
From sewer fund	5,974,283
From electric light fund	519,573
From community cablevision fund	1,118,554
From solid waste fund	895,500
From solid waste retained earnings	60,000
From Other Available Funds:	
General Fund (free cash)	2,945,640
Continuing appropriations	647,085
Cemetery sale of lots	18,000
Sale of real estate	30,000
Interest on school borrowing	100,000
Water projects	543,358
Septic loan repayment fund	14,963
	<u>\$ 103,086,896</u>

Requests for Information

This financial report is designed to provide a general overview of the Town of Shrewsbury's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Accountant, Town Hall, 100 Maple Avenue, Shrewsbury, Massachusetts.

BASIC FINANCIAL STATEMENTS

TOWN OF SHREWSBURY, MASSACHUSETTS
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT:			
Cash and Cash Equivalents	\$ 18,636,283	\$ 7,830,031	\$ 26,466,314
Investments	27,589,638	15,936,779	43,526,417
Receivables, net of allowance for uncollectibles:			
Property Taxes	296,877	-	296,877
Deferred Property Taxes	21,647	-	21,647
Taxes in Litigation	736	-	736
Tax Liens	378,825	-	378,825
Excise Taxes	340,275	-	340,275
User Charges	397,630	4,214,666	4,612,296
Departmental	14,649	-	14,649
Other	-	728,556	728,556
Special Assessments	17,659	-	17,659
Due from Other Governments	6,119,491	-	6,119,491
Loan Receivable	-	24,922	24,922
Materials and Supplies	-	957,213	957,213
Prepaid Expenses	-	3,756,940	3,756,940
Total current assets	53,813,710	33,449,107	87,262,817
NONCURRENT:			
Restricted Cash and Investments:			
Depreciation Fund	-	3,256,531	3,256,531
Rate Stabilization Reserve Fund	-	7,500,415	7,500,415
Investment in Other Companies	-	25,452	25,452
Receivables, net of allowance for uncollectibles:			
Special Assessments	223,389	545,381	768,770
Due from Other Governments	23,460,469	-	23,460,469
Loan Receivable	-	74,409	74,409
Other	-	615,199	615,199
Capital Assets, net of accumulated Depreciation:			
Nondepreciable	47,563,063	2,468,280	50,031,343
Depreciable	98,645,649	44,459,574	143,105,223
Total noncurrent assets	169,892,570	58,945,241	228,837,811
Total Assets	223,706,280	92,394,348	316,100,628
LIABILITIES			
CURRENT:			
Warrants Payable	4,093,367	4,002,829	8,096,196
Accrued Payroll	3,110,514	9,496	3,120,010
Retainage Payable	1,183,741	-	1,183,741
Payroll Withholdings	477,198	-	477,198
Tax Refund Payable	313,000	-	313,000
Taxes Collected in Advance	46,565	-	46,565
Accrued Interest	1,145,881	4,045	1,149,926
Other	357,056	48,000	405,056
Compensated Absences	541,159	4,246	545,405
Bond Anticipation Notes	10,425,000	521,736	10,946,736
Bonds Payable	6,100,851	690,899	6,791,750
Total current liabilities	27,794,332	5,281,251	33,075,583
NONCURRENT:			
Accumulated Provision for Rate Refund	-	7,500,415	7,500,415
Other	-	176,915	176,915
Compensated Absences	856,228	12,738	868,966
OPEB Obligation Payable	20,155,693	556,497	20,712,190
Bonds Payable	61,215,562	1,655,938	62,871,500
Total noncurrent liabilities	82,227,483	9,902,503	92,129,986
Total Liabilities	110,021,815	15,183,754	125,205,569
NET ASSETS:			
Invested in Capital Assets, net of related debt	94,592,279	44,059,281	138,651,560
Restricted for:			
Capital Projects	13,463,210	-	13,463,210
Federal & State Grants	2,638,323	-	2,638,323
Permanent Funds	1,900,129	-	1,900,129
Other Purposes	6,807,159	-	6,807,159
Depreciation	-	3,256,531	3,256,531
Unrestricted	(5,716,635)	29,894,782	24,178,147
Total Net Assets	\$ 113,684,465	\$ 77,210,594	\$ 190,895,059

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF SHREWSBURY, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Program Revenues				Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental	
					Activities	Business-Type Activities
Governmental Activities:						
General Government	\$ 6,244,276	\$ 501,251	\$ 421,782	\$ -	\$ (5,321,243)	\$ -
Public Safety	8,404,848	1,059,853	146,355	18,945	(7,179,695)	-
Public Works (including Water)	5,009,205	3,659,464	88,628	1,281,874	20,761	-
Education	62,468,967	4,810,691	25,209,318	12,870,814	(19,578,144)	-
Health and Human Services	730,305	1,616,522	211,680	-	1,097,897	-
Culture and Recreation	2,232,572	474,931	105,136	-	(1,652,505)	-
Employee Benefits and Insurance	24,179,568	-	7,566,732	-	(16,612,836)	-
State Assessments	1,732,451	-	-	-	(1,732,451)	-
Interest	2,781,516	-	942,041	-	(1,839,475)	-
Total Governmental Activities	113,783,708	12,122,712	34,691,672	14,171,633	(52,797,691)	-
Business-Type Activities:						
Sewer	4,673,577	7,106,344	10,751	-	-	2,443,518
Solid Waste	1,764,849	887,583	-	-	-	(877,266)
Electric Light	31,798,474	33,256,988	102,508	-	-	1,561,022
Community Cablevision	13,634,362	14,602,908	-	-	-	968,546
Total Primary Government	\$ 165,654,970	\$ 67,976,535	\$ 34,804,931	\$ 14,171,633	(52,797,691)	(48,701,871)
General Revenues:						
Property Taxes					52,582,794	-
Motor vehicle and other taxes					4,577,463	-
Hotel Room Occupancy and Meal Taxes					433,960	-
Penalties & Interest on Taxes					245,132	-
Grants & Contributions not restricted to specific programs					3,584,358	-
Unrestricted Investment Income					524,554	-
Transfers, net					26,728	(81,109)
Total General Revenues and Transfers					61,974,989	(81,109)
						61,893,880
Change in Net Assets					9,177,298	4,014,711
Net Assets:						
Beginning of year					104,507,167	73,195,883
End of year					\$ 113,684,465	\$ 77,210,594
						\$ 190,895,059

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF SHREWSBURY, MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012**

	Sherwood		Allen Farm		
	General Fund	Middle School Construction Fund	Property Acquisition Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 6,759,218	\$ 10,212,634	\$ 41,098	\$ 1,623,333	\$ 18,636,283
Investments	15,137,542	1,289,236	-	11,162,860	27,589,638
Receivables, net of allowance for uncollectibles:					
Property Taxes	296,877	-	-	-	296,877
Deferred Property Taxes	21,647	-	-	-	21,647
Taxes in Litigation	736	-	-	-	736
Tax Liens	378,825	-	-	-	378,825
Excise Taxes	340,275	-	-	-	340,275
User Charges	397,630	-	-	-	397,630
Departmental	-	-	-	14,649	14,649
Special Assessments	153,547	-	-	87,501	241,048
Due from Other Governments	26,032,254	1,545,310	-	2,002,396	29,579,960
Total Assets	\$ 49,518,551	\$ 13,047,180	\$ 41,098	\$ 14,890,739	\$ 77,497,568
LIABILITIES AND FUND BALANCE:					
Liabilities:					
Warrants Payable	\$ 1,166,075	\$ 2,906,838	\$ -	\$ 20,454	\$ 4,093,367
Accrued Payroll	2,934,660	-	-	175,854	3,110,514
Retainage Payable	-	1,183,741	-	-	1,183,741
Payroll Withholdings	477,198	-	-	-	477,198
Tax Refund Payable	313,000	-	-	-	313,000
Taxes Collected in Advance	46,565	-	-	-	46,565
Other	357,056	-	-	-	357,056
Deferred Revenue:					
Property Taxes	151,877	-	-	-	151,877
Other	27,324,914	-	-	1,991,847	29,316,761
Bond Anticipation Notes Payable	-	2,900,000	6,100,000	1,425,000	10,425,000
Total Liabilities	32,771,345	6,990,579	6,100,000	3,613,155	49,475,079
Fund Balance:					
Restricted	1,319,815	6,056,601	-	8,290,231	15,666,647
Committed	-	-	-	3,218,713	3,218,713
Assigned	7,960,911	-	-	42,047	8,002,958
Unassigned	7,466,480	-	(6,058,902)	(273,407)	1,134,171
Total Fund Balance	16,747,206	6,056,601	(6,058,902)	11,277,584	28,022,489
Total Liabilities and Fund Balance	\$ 49,518,551	\$ 13,047,180	\$ 41,098	\$ 14,890,739	\$ 77,497,568

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF SHREWSBURY, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Sherwood Allen Farm				
	General Fund	Middle School Construction Fund	Property Acquisition Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property Taxes	\$ 52,653,811	\$ -	\$ -	\$ -	\$ 52,653,811
Intergovernmental	25,155,465	12,120,892	-	-	45,053,762
Excise and Other Taxes	4,973,764	-	-	7,777,405	4,973,764
Charges for Service	4,758,460	-	-	-	10,670,471
Licenses, Permits, Fees	1,775,126	-	-	5,912,011	1,775,126
Interest on Taxes	245,132	-	-	-	245,132
Investment Income	524,554	-	-	-	688,581
Intergovernmental - "On-behalf" Payments	7,571,550	-	-	164,027	7,571,550
Gifts and Donations	-	-	-	385,143	385,143
Other	-	-	-	9,101	9,101
Total Revenues	97,657,862	12,120,892	-	14,247,687	124,026,441
Expenditures:					
Current:					
General Government	6,018,440	-	2,442	218,402	6,239,284
Public Safety	7,680,356	-	-	385,840	8,066,196
Public Works (including Water)	3,976,273	-	-	1,040,128	5,016,401
Education	47,068,148	22,337,893	-	13,214,809	82,620,850
Health and Human Services	572,308	-	-	144,533	716,841
Culture and Recreation	1,586,185	-	-	490,552	2,076,737
Employee Benefits and Insurance	19,957,812	-	-	-	19,957,812
State Assessments	1,732,451	-	-	-	1,732,451
Debt Service:					
Principal	4,960,128	-	-	-	4,960,128
Interest	2,840,312	-	-	-	2,840,312
Total Expenditures	96,392,413	22,337,893	2,442	15,494,264	134,227,012
Excess of Revenues Over (Under) Expenditures	1,265,449	(10,217,001)	(2,442)	(1,246,577)	(10,200,571)
Other Financing Sources (Uses):					
Operating Transfers In	909,940	-	-	989,754	1,899,694
Operating Transfers Out	(1,785,584)	-	-	(87,382)	(1,872,966)
Premium on Bonds	901,314	-	-	-	901,314
Proceeds from Issuance of Bonds	-	20,000,000	-	680,000	20,680,000
Total Other Financing Sources (Uses)	25,670	20,000,000	-	1,582,372	21,608,042
Net Change in Fund Balances	1,291,119	9,782,999	(2,442)	335,795	11,407,471
Fund Balances, Beginning of Year	15,456,087	(3,726,398)	(6,056,460)	10,941,789	16,615,018
Fund Balances, End of Year	\$ 16,747,206	\$ 6,056,601	\$ (6,058,902)	\$ 11,277,584	\$ 28,022,489

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF SHREWSBURY, MASSACHUSETTS
Reconciliation of the Governmental Funds Balance Sheet
Total Fund Balances to the Statement of Net Assets
For the Year Ended June 30, 2012

Total Governmental Fund Balances			\$ 28,022,489
Capital Assets (net) used in governmental activities are not financial resources and therefore, are not reported in the funds.			146,208,712
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.			29,468,638
Long Term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds:			
Bonds Payable	\$ (67,316,413)		
Other Post Employment Benefits Payable	(20,155,693)		
Compensated Absences	<u>(1,397,387)</u>	(88,869,493)	
In the statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds, interest is not reported until due.			<u>(1,145,881)</u>
Net Assets of Governmental Activities			<u>\$ 113,684,465</u>

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF SHREWSBURY, MASSACHUSETTS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2012

Net Change in Fund Balances - Total Governmental Funds	\$	11,407,471
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Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and are reported as depreciation expense:

Capital Outlay Purchases	\$ 25,217,795		
Depreciation	<u>(5,444,449)</u>		19,773,346

Revenue in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.

(1,993,477)

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets:

Repayment of Debt Principal	4,960,128		
Amortization of Net Gain/Loss on Refunding	89,888		
Proceeds from Bonds	<u>(20,680,000)</u>		(15,629,984)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Net Change in Compensated Absences	(127,210)		
Net Change in Other Post Employment Benefits	(4,221,756)		
Net Change in Accrued Interest on Long-Term Debt	<u>(31,092)</u>		(4,380,058)

Change in Net Assets of Governmental Activities	\$	<u>9,177,298</u>
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The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF SHREWSBURY, MASSACHUSETTS
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGETARY BASIS - (NON-GAAP) -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual	Amounts	Variance with
	Original	Final	Budgetary	Carried	Final Budget
	Budget	Budget	Basis	Forward	Positive
				to Next Year	(Negative)
Revenues:					
Property Taxes	\$ 51,564,790	\$ 52,343,965	\$ 52,994,811	\$ -	\$ 650,846
Intergovernmental	25,010,100	25,010,100	25,155,465	-	145,365
Excise and Other Taxes	4,675,000	4,675,000	4,973,764	-	298,764
Charges for Service	4,711,598	4,711,598	4,758,460	-	46,862
Licenses, Permits, Fees	1,577,361	1,577,361	1,775,126	-	197,765
Interest on Taxes	220,000	220,000	245,132	-	25,132
Interest on Investments	575,000	575,000	491,844	-	(83,156)
Total Revenues	88,333,849	89,113,024	90,394,602	-	1,281,578
Expenditures:					
Current:					
General Government	7,527,150	7,495,725	6,018,440	775,208	702,077
Public Safety	7,296,654	7,871,393	7,680,356	108,096	82,941
Public Works (including Water)	8,236,712	8,266,867	3,976,273	3,615,095	675,499
Education	47,502,594	47,502,594	47,068,148	434,406	40
Health and Human Services	632,609	643,024	572,308	9,879	60,837
Culture and Recreation	1,694,149	1,728,313	1,586,185	72,586	69,542
Employee Benefits and Insurance	12,465,917	12,684,602	12,391,080	-	293,522
State Assessments	1,983,115	1,983,115	1,732,451	-	250,664
Debt Service:					
Principal	4,960,129	4,960,129	4,960,128	-	1
Interest	2,459,747	2,835,498	2,835,494	-	4
Total Expenditures	94,758,776	95,971,260	88,820,863	5,015,270	2,135,127
Excess of Revenues Over					
(Under) Expenditures	(6,424,927)	(6,858,236)	1,573,739	(5,015,270)	3,416,705
Other Financing Sources (Uses):					
Operating Transfers In (Out)	(428,018)	(1,064,564)	(1,061,855)	-	2,709
Premium on Bonds	-	-	901,314	-	901,314
Total Other Financing Sources (Uses)	(428,018)	(1,064,564)	(160,541)	-	904,023
Excess (Deficiency) of Revenues and Other					
Financing Sources Over Expenditures and					
Other Financing Uses	(6,852,945)	(7,922,800)	1,413,198	(5,015,270)	4,320,728
Budgetary Fund Balance - Beginning of Year	14,777,459	14,777,459	14,777,459	-	-
Budgetary Fund Balance - End of Year	\$ 7,924,514	\$ 6,854,659	\$ 16,190,657	\$ (5,015,270)	\$ 4,320,728

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF SHREWSBURY, MASSACHUSETTS
Reconciliation of Revenues and Expenditures
from Budgetary Basis to GAAP Basis
For the Year Ended June 30, 2012

	Revenues	Expenditures
Reported on a Budgetary Basis	\$ 90,394,602	\$ 88,820,863
<u>Adjustments:</u>		
Activity for Stabilization Funds Recorded in the General Fund for GAAP Purposes	5,256	-
Net Decrease in Revenue from recording Refund Taxes Payable	(271,000)	-
Recognition of Intergovernmental Revenue - "on behalf payments"	7,571,550	-
Recognition of Expenditures - "on behalf payments"	-	7,571,550
Net Change in Fair Value of Investments	27,454	-
Net Decrease in Revenue from Recording 60-Day Receipts	(70,000)	-
Reported on a GAAP Basis	<u>\$ 97,657,862</u>	<u>\$ 96,392,413</u>

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF SHREWSBURY, MASSACHUSETTS
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
JUNE 30, 2012

Business-Type Activities
Enterprise Funds

	Sewer Fund	Solid Waste Fund	Electric Light Fund (as of December 31, 2011)	Cable Operations Fund (as of December 31, 2011)	Total
ASSETS					
CURRENT:					
Cash and Cash Equivalents	\$ 4,452,428	\$ 168,453	\$ 2,054,415	\$ 1,154,735	\$ 7,830,031
Investments	9,261,455	-	4,273,369	2,401,955	15,936,779
User Charges, net of allowance	869,414	73,350	2,297,284	974,618	4,214,666
Other Receivables	70,220	-	587,139	71,197	728,556
Materials and Supplies	-	-	162,190	795,023	957,213
Loan Receivable	-	-	24,922	-	24,922
Prepaid Expenses	-	-	3,622,367	134,573	3,756,940
Total current assets	14,653,517	241,803	13,021,686	5,532,101	33,449,107
NONCURRENT:					
Restricted Cash and Investments:					
Depreciation Fund	-	-	3,256,531	-	3,256,531
Rate Stabilization Reserve Fund	-	-	7,500,415	-	7,500,415
Investment in Other Companies	-	-	25,452	-	25,452
Special Assessments Receivable	545,381	-	-	-	545,381
Loan Receivable	-	-	74,409	-	74,409
Other	-	-	600,286	14,913	615,199
Capital Assets, net of accumulated depreciation:					
Nondepreciable	1,728,780	-	151,396	588,104	2,468,280
Depreciable	8,346,632	-	21,988,379	14,124,563	44,459,574
Total noncurrent assets	10,620,793	-	33,596,868	14,727,580	58,945,241
Total Assets	25,274,310	241,803	46,618,554	20,259,681	92,394,348
LIABILITIES					
CURRENT:					
Accounts Payable	145,945	49,574	2,611,201	1,196,109	4,002,829
Accrued Payroll	9,496	-	-	-	9,496
Accrued Interest	1,770	-	-	2,275	4,045
Other	-	-	-	48,000	48,000
Compensated Absences	4,246	-	-	-	4,246
Bond Anticipation Notes	521,736	-	-	-	521,736
Bonds Payable	26,899	-	314,000	350,000	690,899
Total current liabilities	710,092	49,574	2,925,201	1,596,384	5,281,251
NONCURRENT:					
Accumulated Provision for Rate Refund	-	-	7,500,415	-	7,500,415
Other	-	-	59,364	117,551	176,915
Compensated Absences	12,738	-	-	-	12,738
OPEB Obligation Payable	77,452	-	-	479,045	556,497
Bonds Payable	240,938	-	735,000	680,000	1,655,938
Total noncurrent liabilities	331,128	-	8,294,779	1,276,596	9,902,503
Total Liabilities	1,041,220	49,574	11,219,980	2,872,980	15,183,754
NET ASSETS:					
Invested in Capital Assets, net of related debt	9,285,839	-	21,090,775	13,682,667	44,059,281
Restricted for Depreciation	-	-	3,256,531	-	3,256,531
Restricted for Capital	-	-	-	-	-
Unrestricted	14,947,251	192,229	11,051,268	3,704,034	29,894,782
Total Net Assets	\$ 24,233,090	\$ 192,229	\$ 35,398,574	\$ 17,386,701	\$ 77,210,594

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF SHREWSBURY, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012**

Business-Type Activities Enterprise Funds									
	Sewer Fund	Solid Waste Fund	Electric Light Fund (as of December 31, 2011)	Cable Operations Fund (as of December 31, 2011)	Total				
Operating Revenues:									
Charges for Services	\$ 7,070,206	\$ 887,583	\$ 33,028,205	\$ 14,280,128	\$ 55,266,122				
Other	36,138	-	228,783	322,780	587,701				
Total Operating Revenues	7,106,344	887,583	33,256,988	14,602,908	55,853,823				
Operating Expenses:									
Salaries & Wages	345,990	-	-	-	345,990				
Operating Expenses	3,938,282	1,764,849	28,846,359	10,695,149	45,244,639				
Maintenance Expenses	-	-	1,363,399	419,972	1,783,371				
Depreciation	379,855	-	1,526,083	2,494,431	4,400,369				
Total Operating Expenses	4,664,127	1,764,849	31,735,841	13,609,552	51,774,369				
Operating Income (Loss)	2,442,217	(877,266)	1,521,147	993,356	4,079,454				
Non-Operating Revenues (Expenses):									
Investment income	-	-	93,866	-	93,866				
Intergovernmental	10,751	-	-	-	10,751				
Other	-	-	8,642	5,490	14,132				
Interest Expense	(9,450)	-	(62,633)	(30,300)	(102,383)				
Total Non-Operating Revenues (Expenses)	1,301	-	39,875	(24,810)	16,366				
Income (Loss) Before Operating Transfers	2,443,518	(877,266)	1,561,022	968,546	4,095,820				
Operating Transfers:									
Transfer In	2,334	847,750	-	-	850,084				
Transfers (Out)	-	-	(198,837)	(732,356)	(931,193)				
Total Operating Transfers	2,334	847,750	(198,837)	(732,356)	(81,109)				
Change in Net Assets	2,445,852	(29,516)	1,362,185	236,190	4,014,711				
Net Assets at Beginning of Year	21,787,238	221,745	34,036,389	17,150,511	73,195,883				
Net Assets at End of Year	\$ 24,233,090	\$ 192,229	\$ 35,398,574	\$ 17,386,701	\$ 77,210,594				

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF SHREWSBURY, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012**

	Business-Type Activities Enterprise Funds				
	Sewer Fund	Solid Waste Fund	Electric Light Fund (as of December 31, 2011)	Cable Operations Fund (as of December 31, 2011)	Total
Cash Flows From Operating Activities:					
Receipts from Customers and Users	\$ 6,832,518	\$ 877,533	\$ 32,721,029	\$ 14,643,300	\$ 55,074,380
Receipts from Other Revenues	36,138	-	-	-	36,138
Payments to Vendors and Employees	(4,222,052)	(1,766,803)	(30,139,863)	(11,046,904)	(47,175,622)
Net Cash Provided by (Used for) Operating Activities	2,646,604	(889,270)	2,581,166	3,596,396	7,934,896
Cash Flows from Noncapital Financing Activities:					
Transfers from (to) Other Funds	2,334	847,750	(198,837)	(732,356)	(81,109)
Due to SELCO - Electric	-	-	-	26,912	26,912
Net Cash Provided by (Used for) Noncapital Financing Activities	2,334	847,750	(198,837)	(705,444)	(54,197)
Cash Flows from Capital and Related Financing Activities:					
Intergovernmental Revenues	10,751	-	-	-	10,751
WPAT Project Drawdowns	521,736	-	-	-	521,736
Transfers From Depreciation Fund	-	-	(48,453)	-	(48,453)
Acquisition and Construction of Capital Assets	(1,725,755)	-	(932,071)	(2,876,689)	(5,534,515)
Principal Payments on Bonds and Notes	(26,899)	-	(310,000)	(360,000)	(696,899)
Interest Expense	(9,647)	-	(46,320)	(30,900)	(86,867)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(1,229,814)	-	(1,336,844)	(3,267,589)	(5,834,247)
Cash Flows from Investing Activities:					
Investment Income	-	-	98,032	-	98,032
OPEB Funding	-	-	(750,000)	(250,000)	(1,000,000)
Payments from (to) Customers for Energy Conservation Loans	-	-	(26,882)	-	(26,882)
Proceeds/(Purchase) of Investments	(1,003,764)	-	(269,604)	407,748	(865,620)
Net Cash Provided by (Used for) Investing Activities	(1,003,764)	-	(948,454)	157,748	(1,794,470)
Net Increase (Decrease) in Cash and Cash Equivalents	415,360	(41,520)	97,031	(218,889)	251,982
Cash and Cash Equivalents at Beginning of Year	4,037,068	209,973	1,957,384	1,373,624	7,578,049
Cash and Cash Equivalents at End of Year	\$ 4,452,428	\$ 168,453	\$ 2,054,415	\$ 1,154,735	\$ 7,830,031

**TOWN OF SHREWSBURY, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012**

	Business-Type Activities Enterprise Funds					Total			
	Sewer Fund	Solid Waste Fund	Electric Light Fund (as of December 31, 2011)	Cable Operations Fund (as of December 31, 2011)					
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:									
Operating Income (Loss)	\$	2,442,217	\$	(877,266)	\$	1,521,147	\$	993,356	4,079,454
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:									
Depreciation		379,855		-		1,526,083		2,494,431	4,400,369
Non-cash loss on disposal of assets		-		-		-		24,532	24,532
Change in Assets and Liabilities:									
Increase (Decrease) in Accounts Payable		40,325		(1,954)		64,223		376,082	478,676
Increase (Decrease) in Accrued Payroll		2,111		-		-		-	2,111
Increase (Decrease) in Deferred Revenue		-		-		-		(48,000)	(48,000)
Increase (Decrease) in Compensated Absences		161		-		-		-	161
Increase (Decrease) in OPEB Obligation Payable		19,623		-		94,175		180,786	294,584
Decrease (Increase) in Materials and Supplies		-		-		2,844		(496,005)	(493,161)
Decrease (Increase) in Prepaid Expenses		-		-		(91,347)		(17,178)	(108,525)
Decrease (Increase) in Other Accounts Receivable		-		-		13,526		(28,600)	(15,074)
Decrease (Increase) in Customer Accounts Receivable		(237,688)		(10,050)		(549,485)		116,992	(680,231)
Total Adjustments		204,387		(12,004)		1,060,019		2,603,040	3,855,442
Net Cash Provided by (Used for) Operating Activities	\$	2,646,604	\$	(889,270)	\$	2,581,166	\$	3,596,396	\$ 7,934,896

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF SHREWSBURY, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2012**

	SHREWSBURY			
	Employees Retirement System Pension Trust Fund (as of December 31, 2011)			
		Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS				
Cash and Cash Equivalents	\$ 327,616	\$ -	\$ -	\$ 1,861,721
Investments	65,941,835	1,201,319	399,097	30,280
Accrued Interest and Dividends	4	-	-	-
Accounts Receivable	203,240	-	-	-
Total Assets	66,472,695	1,201,319	399,097	1,892,001
LIABILITIES				
Warrants Payable	379,900	-	-	-
Due to Others	-	-	-	94,354
Due to Student Groups	-	-	-	229,665
Escrows and Deposits	-	-	-	1,567,982
Total Liabilities	379,900	-	-	1,892,001
NET ASSETS:				
Held in Trust for Pension Benefits and Other Purposes	\$ 66,092,795	\$ 1,201,319	\$ 399,097	\$ -

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF SHREWSBURY, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012**

	SHREWSBURY		
	Employees Retirement System Pension Trust Fund (as of December 31, 2011)	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds
Additions			
Contributions:			
Employer	\$ 3,846,886	\$ 186,212	\$ -
Plan Members	2,092,309	-	-
Transfers/Reimbursements from Other Systems	240,170	-	-
Federal Grant Reimbursements	47,691	-	-
Commonwealth of Massachusetts - COLA	69,822	-	-
Private Donations	-	-	31,968
Total Contributions	6,296,878	186,212	31,968
Investment Income:			
Interest & Dividends	1,356,509	36,900	6,194
Net Change in Fair Value of Investments	(1,128,304)	(27,813)	(1,029)
Total Investment Earnings	228,205	9,087	5,165
Less Investment Expense	(431,946)	-	-
Net Investment Earnings	(203,741)	9,087	5,165
Total Additions	6,093,137	195,299	37,133
Deductions:			
Benefit Payments to Plan Members and Beneficiaries	5,453,948	-	-
Refunds to Members	190,796	-	-
Transfers to Other Systems	416,511	-	-
Educational Scholarships	-	-	25,842
Charitable Expenses	-	-	45
General Expenses	72,999	-	-
Total Deductions	6,134,254	-	25,887
Change in Net Assets	(41,117)	195,299	11,246
Net Assets at Beginning of Year	66,133,912	1,006,020	387,851
Net Assets at End of Year	\$ 66,092,795	\$ 1,201,319	\$ 399,097

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Town of Shrewsbury, Massachusetts (the Town) was incorporated in 1727 under the laws of the Commonwealth of Massachusetts. The Town is governed by an elected five member Board of Selectmen.

For financial reporting purposes, the Town has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete.

Blended component units are entities that are legally separate from the Town, but are so related that they are, in substance, part of the Town's operations and so data from these units are combined with data of the primary government. The following component unit is blended within the primary government in the fiduciary funds:

The Shrewsbury Contributory Retirement System (the System) was established to provide retirement benefits to Town employees, the Town Housing Authority employees, and their beneficiaries. The System is governed by a five-member board comprised of the Town Accountant (ex-officio), two members elected by the System's participants, one member appointed by the Board of Selectmen, and one member appointed by the Board members. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements.

The system did not issue a separate audited financial statement. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth of Massachusetts Public Employee Retirement Administration Commission (PERAC). That report may be obtained by contacting the System located at 100 Maple Avenue, Shrewsbury, Massachusetts.

The Shrewsbury Electric and Cable Operations (SELCO) - The condensed financial statements of the Shrewsbury Electric and Cable Operations (SELCO) (the Department) are included in the Proprietary Fund Types column and Business-Type Activity column of the basic financial statements. The complete financial statements can be obtained from their respective administration offices at 100 Maple Street, Shrewsbury, Massachusetts.

The Town is responsible for electing the governing board of the Shrewsbury Housing Authority. This related organization is excluded from the financial reporting entity because the Town's accountability does not extend beyond the Town electing the board members. Audited financial statements are available from the respective organization. A description of the related organization is as follows:

The Shrewsbury Housing Authority is a public housing agency that provides housing assistance to eligible and qualified low and moderate income families, the elderly and handicapped. The housing authority is an autonomous and self-sufficient agency under the State Executive Office of Communities and Development. The Town has no significant influence over management, budget or policies of the authority.

The accompanying basic financial statements of the Town of Shrewsbury, Massachusetts (the Town) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant Town accounting policies are described herein.

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

B. Government-Wide and Fund Financial Statements

Government-wide financial statements

The government-wide financial statements (e.g., statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund financial statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and displayed in a single column.

Because governmental fund statements are presented using a measurement focus and basis of accounting different from that used in government-wide statements' governmental column, a reconciliation is presented that briefly explains the adjustments necessary to reconcile ending net assets and change in net assets.

Major Fund Criteria

Major funds must be reported if the following criteria are met:

- If the total assets, liabilities, revenues or expenditures/expenses of an individual governmental fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental funds),

and

- If the total assets, liabilities, revenues or expenditures/expenses of the individual governmental funds are at least 5 percent of the corresponding element for all governmental funds combined.

Additionally, any other governmental fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

Fiduciary funds are reported by fund type.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide financial statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis* of accounting, as are the proprietary fund and fiduciary fund financial statements.

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund financial statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Under the modified accrual basis concept, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to be used to pay current liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, excises and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The Town reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Sherwood Middle School Construction fund* is used to account for financial resources to construct a middle school.

The *Allen farm property acquisition fund* is used to account for financial resources to acquire the land and buildings situated in the Town.

The Town reports the following major proprietary funds:

The *sewer fund* is used to account for the sewer activities.

The *solid waste fund* is used to account for municipal and residential solid waste collection, processing and disposal services activities.

The *electric light fund* is used to account for activities of the government's electric distribution operations.

The *cable operations fund* provides transmission of cable television signals, and the installations necessary for the customers to receive them.

Additionally, the Town reports the following fund types:

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

account for assets held in a trustee capacity for others that cannot be used to support the government programs.

The *Shrewsbury Employees Retirement System Pension trust fund* is used to account for the activities of the System, which accumulates resources to provide pension benefits to eligible retirees and their beneficiaries.

The *Other Postemployment Benefit Electric Light and Cable Trust Fund* accounts for the activities of the Town's OPEB plan, which accumulates resources for retiree medical and life insurance benefits.

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

The *agency fund* is used to account for assets held in a purely custodial custody.

The non-major governmental fund consists of other special revenue, capital projects, and permanent funds that are aggregated and presented in the *non-major governmental funds* column on the governmental funds financial statements. The following describes the general use of these funds types:

The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent funds or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.

The *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Enterprise and Trust Funds).

The *permanent fund* is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Town's enterprise funds and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues of the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Cash and Cash Equivalents

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash.

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. The Town maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption, "cash and cash equivalents".

Excluding the permanent funds, investment income derived from major and non-major governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Laws (MGL).

Investment income from proprietary funds is maintained in those funds.

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments to the Town. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U. S. Government or agencies that have a maturity of less than one year from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments in the Contributory Retirement System consist of marketable securities, bonds and short-term money market investments.

All investments are carried at fair value.

F. Receivables

The recognition of revenues related to accounts receivable reported in the government-wide financial statements and fund financial statements are reported under the accrual basis of accounting and the modified accrual basis of accounting, respectively.

Property Taxes, Deferred Property Taxes, Taxes in Litigation, and Tax Liens

Property taxes are based on assessments as of January 1, 2011 and include betterments, special assessments and liens. Taxes are used to finance the operations of the Town for the fiscal year July 1st to June 30th. By law, all taxable property in the Commonwealth of Massachusetts must be assessed at 100% of fair cash value. Taxes are due and payable on July 1st. The Town has accepted the quarterly tax payment system. Under the quarterly tax payment system, the assessors make a preliminary tax commitment based on the prior year's net tax and may not exceed, with limited exceptions, fifty percent of that amount. The collector must mail preliminary tax bills each year by July 1st. The preliminary tax is payable in two equal installments. The first installment is due on August 1st and the second installment is due on November 1st. After the Town sets the tax rate, the assessors make the actual tax commitment. If actual bills are mailed on or before December 31st, the balance remaining is payable in two equal installments. The first installment is due on February 1st and the second installment is due on May 1st. If bills are mailed after December 31st, the entire balance is not due until May 1st or thirty days after the bills were mailed, whichever is later. Any betterments, special assessments and other charges are added to the

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

actual bills. Interest at the rate of 14% is charged on the amount of any preliminary tax or actual tax installment payment that is unpaid and delinquent and is charged only for the number of days the payment is actually delinquent. If actual tax bills are mailed after December 31st, interest will be computed from May 1st, or the payment due date, whichever is later. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables. Revenues from property taxes are recognized in the fiscal year for which they have been levied.

The Town mailed preliminary tax bills for the fiscal year 2012 on June 30, 2011, that were due on August 1, 2011 and November 1, 2011 and actual bills on December 30, 2011 that were due on February 1, 2012 and May 1, 2012.

The Commonwealth of Massachusetts electorate in November, 1980, passed legislation known as Proposition 2 1/2, in order to limit the amount of revenue to be raised by taxation. The purpose of the legislation was to control the levy of taxes that are assessed to property owners of a Town. The legal levy limit under Proposition 2 1/2 for fiscal year 2012 is \$53,018,884 consisting of a base of \$49,274,292 and a debt exclusion of \$3,744,292. The total amount raised by taxation was \$53,008,985.

The allowance for uncollectible accounts is based on historical trends and specific account analysis.

Excise Taxes

Excise taxes consist of motor vehicle excise. Excise taxes are assessed annually for each vehicle registered in the Town, and are recorded as receivables in the fiscal year of levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair value of those vehicles.

The tax calculation is the fair market value of the vehicle multiplied by the \$25 per \$1,000 of value.

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

User Charges

User charges in the governmental funds consist of water that is levied monthly based on individual meter readings and usage and are subject to penalties and interest if they are not paid by the respective due date. Liens are processed each year and included as a lien on the property owner's tax bill.

User charges in the business-type funds consist of sewer, solid waste, electric light and cable operations that are levied monthly based on individual meter readings and usage and are subject to penalties and interest if they are not paid by the respective due date. Liens are processed each year and are included as a lien on the property owner's tax bill. Sewer liens are recorded as receivables in the fiscal year of the levy.

The allowance for uncollectibles in the sewer fund is estimated based upon historical trends and specific account analysis. The solid waste enterprise fund does not show an allowance for uncollectibles.

SELCO – Electric carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, SELCO – Electric evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on its history of past write-offs and collections and current conditions.

SELCO – Cable carries its accounts receivable net of an allowance for doubtful accounts to properly reflect the realizable value. On a periodic basis, the Department evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on its history of past write-offs and collections and current conditions.

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Departmental

Departmental receivables consist of police off-duty details.

These receivables are considered 100% collectible and, therefore, do not report an allowance for uncollectibles.

Special Assessments

Special assessments consist of the water and street betterments in the general fund and Title V septic loan repayments in the nonmajor funds and sewer in the business-type funds.

These receivables are considered 100% collectible and, therefore, do not report an allowance for uncollectibles.

Due from Other Governments

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, revenue is recognized as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, revenue is recognized when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and, therefore, do not report an allowance for uncollectibles.

G. Materials and Supplies

Material and supplies in the electric light department are inventories of parts and accessories purchased for use in the utility business for construction, operation and maintenance purposes and are stated at cost on a first in first out basis.

Material and supplies inventory in the cable operations consist of parts and accessories for installations required for service and are stated at cost using first in first out method for valuing inventory.

H. Prepaid Expenses

Prepaid expenses in the electric light fund consist predominately of prepayments on purchased power. Prepaid expenses in the community cablevision fund are attributable to insurance, maintenance contracts and signal purchases.

I. Capital Assets

Capital assets, which include land, construction in progress, buildings and renovations, machinery, equipment and other, and infrastructure assets (e.g. roads, water mains, sewer mains, and similar items), are reported in the applicable governmental column of the government wide financial statements. Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value.

All purchase and construction costs in excess of \$10,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land and construction in progress) for the governmental activities are depreciated on a straight-line basis. The estimated useful lives of fixed assets are as follows:

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Capital Asset Type	Years
Buildings and renovations	20-40
Machinery, equipment and other	3-10
Infrastructure	20-50

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

Capital assets of the sewer enterprise fund include construction in progress, machinery, equipment and other, and infrastructure assets (e.g. sewer mains), and are reported in the applicable business type column of the government wide financial statements. Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available.

All purchase and construction costs in excess of \$10,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

The statutory provision for depreciation of the utility plant in the electric light enterprise fund and the cablevision enterprise fund is computed on a straight-line method at 3 percent of cost of plant in service at the beginning of the year, exclusive of land and land rights. Therefore no depreciation is taken in the year of plant additions. Massachusetts law stipulates that SELCO – Electric may exceed the 3 percent depreciation rate only with the approval of the DPU.

SELCO – Electric charges maintenance to expense when incurred. Replacements and betterments are charged to the utility plant. At the time properties are retired, the cost of property retired less accumulated depreciation, salvage value, and any cash proceeds is charged to unappropriated earned surplus.

Property, plant and equipment for the cablevision enterprise fund is computed using percentages ranging from three to twenty percent of the cost of cablevision plant. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

J. Restricted Cash and Cash Equivalents

Certain assets of the electric light fund are classified as restricted because they are maintained in separate bank accounts and their use is limited.

- The *depreciation fund* is restricted to specific uses by the General Laws of Massachusetts. Pursuant to provisions of the Commonwealth's General Laws, cash in an amount equivalent to the annual depreciation expense is to be transferred from unrestricted funds to the depreciation fund. Interest earned on the balance of the fund must also remain in the fund. Such cash may be used for the cost of utility plant, nuclear decommissioning costs, costs of contractual commitments, and deferred costs related to such commitments which the Municipal Light Board determines are above market value.
- The *rate stabilization reserve fund* was created as an aftermath of deregulation. The Municipal Light Departments of Massachusetts Reserve Trust was created and established in anticipation of the restructuring of the electric industry in Massachusetts, and in recognition of the fact that as such restructuring occurs. Massachusetts Municipal Wholesale Electric Company's (MMWEC's) members would face increasing competition from investor-owned

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

utilities and neighboring municipal electric light departments. To maintain competitive posture for MMWEC's members in a deregulated environment, the Trust was created and established to provide and maintain a source of funds which could be accessed on an as needed basis for anticipated escalation in costs, such as the decommissioning of nuclear power plants before the end of their operating license, unusual price spikes in fuel prices and transmission increases. The rate stabilization fund balance at December 31, 2011 was \$7,500,415. The increase was interest earned on SELCO-Electric's invested balance. The balance is off set by a corresponding liability for the accumulated provisions for rate refund. SELCO-Electric utilizes the fund solely for its ratepayers.

- The *investment in other companies fund* is used to hold funds of the electric light fund's equity requirements for the Hydro-Quebec phase II interconnection as required under agreements with the New England Hydro-Transmission Electric Company, Inc. and the New England Hydro-Transmission Corporation. SELCO-Electric's ownership interest is less than one quarter of one percent in both projects. The balance at December 31, 2011 was \$25,452.

K. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as operating transfers in and operating transfers out.

In the government-wide financial statements, operating transfers between and within governmental funds are eliminated from the governmental activities in the statement of activities. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers net".

In the fund financial statements, operating transfers between and within funds are not eliminated from the individual fund statements and are reported as operating transfers in and operating transfers out.

L. Deferred Revenue

Deferred revenue at the fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Deferred revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

M. Net Assets and Fund Balances

In the Government-Wide financial statements, the difference between the Town's total assets and total liabilities represents net assets. Net assets displays three components – invested in capital assets, net of related debt; restricted (distinguished between major categories of restrictions); and unrestricted. Unrestricted net assets represent the net assets available for future operations.

Net assets have been "restricted for" the following:

"Capital projects" represents amounts restricted for capital purposes.

"Federal and state grants" represents amounts restricted by the federal and state government for various programs.

"Permanent funds" represents amounts held in trust for which the expenditures are restricted by various trust agreements.

"Other purposes" represents restrictions placed on assets from outside parties.

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"Depreciation" represents amounts set aside to pay for capital investments in the electric light department. The fund is allowed by state statute.

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of those resources.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision making authority, which is the Town meeting action and can be modified or rescinded only through these actions. Committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action it employed to previously commit.

Assigned fund balance. This classification reflects the amounts constrained by the Town's "intent" to be used for specific purposes, but are neither restricted nor committed. Department heads and Town board/committees have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When the restricted and other fund balance resources are available for use, it is the Town's policy to use restricted resources first, followed by committed, assigned, and unassigned amounts respectively.

N. Long-term Debt

Long-term debt is reported as liabilities in the government-wide and proprietary funds statement of net assets.

The face amount of governmental funds long-term debt is reported as other financing sources.

O. Compensated Absences

The Town grants to employees sick and vacation leave in varying amounts based upon length of service and in accordance with various individual union contracts. For Town employees, individuals are provided for a maximum of 20 days of accumulated sick leave. To be eligible, the individual must have accumulated a minimum of 150 days of sick leave and have twenty or more years of continuous service to the Town. Upon retirement, termination, or death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations) at their current rates of pay.

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P. Post Retirement Benefits

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with MGL, Chapter 32, on a pay-as-you-go basis. The cost of providing health insurance is recognized by recording the employer's share of insurance premiums at various percentages for retirees, spouses and surviving spouses in the general fund in the fiscal year paid.

Q. Use of Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

An annual budget is adopted for the Town's General Fund. Although legislative approval is required for the acceptance of grants, capital projects, and borrowing authorizations, annual budgets are not prepared for any other fund; therefore, comparison of budget to actual is only presented for the General Fund.

The Town must establish its property tax rate each year so that the property tax rate levy will comply with the limits established by Proposition 2 1/2, as amended, and also equal the sum of (a) the aggregate of all annual appropriations for expenditures, plus (b) provision for prior year deficits, if any, less (c) the aggregate of all non property tax revenues estimated to be received, including available funds.

The Town follows these procedures in establishing the General Fund budgetary data as reflected in the financial statements:

- All boards, officers and committees of the Town shall annually, at the request of the town manager, submit in writing a detailed estimate of the appropriations required for the efficient and proper conduct of their respective departments and offices during the next fiscal year.
- Not less than ninety days prior to the date of the start of the annual Town meeting, the town manager shall submit to each member of the finance committee and of the board of selectmen, a copy of the annual budget.
- The finance committee shall consider the annual budget prepared by the Town manager and may confer with Town boards, officers, and committees and may hold hearings if they deem it advisable.
- The finance committee shall thereupon approve or disapprove the amount. The committee shall furnish to the selectmen on or before April 1st of each year a report with the recommendations and the same shall be printed and ready for distribution at the annual Town meeting.
- The budget is legally enacted by vote at the annual Town meeting.
- Supplemental appropriations may be made from available funds after the setting of the tax rate with Town meeting approval.

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Massachusetts law requires cities and towns to provide a balanced budget. Section 23 of Chapter 59 of the Massachusetts General Laws states, in part,

"The assessors shall annually assess taxes to an amount not less than the aggregate of all amounts appropriated, granted or lawfully expended by their respective towns (cities) since the preceding annual assessment and not provided for therein . . ."

For fiscal year 2012, the Town incurred a final budget deficit of \$7,922,800 for the General Fund.

The Town voted from the following sources to fund the deficit budget during the fiscal year:

Unreserved fund balance:	
Free cash votes	\$ 3,402,646
Prior year's encumbrances	<u>4,520,154</u>
	<u><u>\$ 7,922,800</u></u>

B. Deficit Fund Balances

The following funds had deficit balances at June 30, 2012 as measured by the balances of fund balance.

- The Allen farm property acquisition fund has a deficit fund balance of \$6,058,902. The Town has bond anticipation notes outstanding for \$6,100,000. The deficit will be eliminated when the long term debt is issued.
- The Spring Street School green project capital project fund has a deficit fund balance of \$273,407. The Town has bond anticipation notes outstanding for \$725,000. The deficit will be eliminated when the long term debt is issued.

3. DETAILED NOTES

A. Deposits and Investments

Custodial Credit Risks – Deposits – Town's Financials

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The government does not have a deposit policy for custodial credit risk. Deposits at June 30, 2012 were \$31,546,606. Of these deposits, \$13,817,327 were exposed to custodial credit risk as uninsured and uncollateralized.

Custodial Credit Risks – Deposits – Shrewsbury Contributory Retirement System

Custodial credit risk is the risk that in the event of a bank failure, the System's deposits may not be returned. The System does not have a deposit policy for custodial credit risk.

Deposits at December 31, 2011 were \$381,491. Of these deposits, none were exposed to custodial credit risk as uninsured and uncollateralized.

Investment Policies – Town Financials

Investments of funds, except for trust funds, are generally restricted by Massachusetts General Laws, Chapter 44, Section 55. That statute permits investments of available revenue funds and bond and note

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proceeds in term deposits and certificates of deposit of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, in participation units in the Massachusetts Municipal Depository Trust ("MMDT"), or in shares in SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

The MMDT is an investment pool created by the Commonwealth under the supervision of the State Treasurer's office. According to the State Treasurer, the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U. S. Government obligations and highly-rated corporate securities with maturities of one year or less.

As of June 30, 2012, the Town had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)				
		Less Than 1	1 to 5	6 to 10	More Than 10	
Debt Securities:						
U. S. government agencies	\$ 25,398,403	\$ -	\$ 23,557,705	\$ 1,840,698	\$ -	
Corporate bonds	3,691,499	1,161,467	2,530,032	-	-	
Municipal bonds	849,492	-	340,267	-	509,225	
Money market mutual fund	5,183,739	5,183,739	-	-	-	
	35,123,133	\$ 6,345,206	\$ 26,428,004	\$ 1,840,698	\$ 509,225	
Other Investments:						
Certificates of deposits	4,278,432					
Equity mutual funds	3,859,964					
Equity securities - domestic	17,714					
MMDT	1,877,870					
	\$ 45,157,113					

Custodial Credit Risks

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Town's \$45,157,113 in investments, none were uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the Town's name. The Town has no policy on custodial credit risk.

Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Town's exposure to credit risk as of June 30, 2012 is as follows:

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Related Debt Instruments	Fair Value
<u>Moody's Quality Ratings</u>	
<i>U. S. Government Agencies:</i>	
Aaa	25,398,403
<i>Corporate Bonds:</i>	
A1	2,159,127
A3	642,307
Baa2	521,515
Ba3	368,550
<i>Municipal Bonds:</i>	
Aaa	509,225
Aa2	340,267
<i>Money Market Mutual Funds:</i>	
Not rated	5,183,739
	\$ 35,123,133

Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in one issuer. More than 5 percent of the Town's investments are Federal Home Loan Bank and Federal National Mortgage Association amounting to 15.17% and 37.44%, respectively, of the Town's total investments.

Investment Policies – Shrewsbury Contributory Retirement System

Under PERAC regulations, every retirement board shall file a statement of investment objectives with PERAC. Among the information to be filed are the investment policy, the rate of return expected, the expected level of risk, the asset mix, the degree of diversification, and other pertinent financial information. At all times, the Board's investments are subject to certain limitations set forth in Massachusetts General Laws, Chapter 32. Any investment not specifically addressed in these guidelines is not allowed.

Specific policies for investments of funds for the system that have been approved by PERAC, are as follows:

- Fixed income investments shall be permitted in obligations of the United States or obligations guaranteed as to principal and interest by the Government of the United States, agency securities, corporate bonds (Yankees and bond-like convertibles), municipal bonds, mortgage-back securities (MBS, CMBS and CMO's), and asset-backed securities.
- Fixed income investments shall be permitted in bonds issued by the State of Israel.
- Fixed income investments shall have a minimum quality rating of Baa/BBB as rated by one or more recognized bond rating service at the time of purchase. Fixed income investments that are downgraded below Baa/BBB shall be liquidated within a reasonable period of time determined by the manager so as not to be detrimental to the plan. If the manager determines it prudent to hold an investment that has been downgraded below Baa/BBB, they will be required to report at least monthly the status of said bond and reasons for holding said bond.
- No more than five percent of the total market value of all fixed income investments shall be invested in debt obligations of any one fixed income issuer except for securities issued and

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guaranteed by the United States Government, or its agencies, which may be held without limitations.

- For the purposes of these guidelines, convertible bonds and convertible preferred stocks shall be considered fixed income investments.
- Miscellaneous provisions:
 - Use of swaps, primes, scores or other similar products are prohibited.
 - Use of margin buying is prohibited.
 - Use of derivative investments including but not limited to: Forwards, future options, warrants, hedging, or structured investments which display derivative like characteristics are prohibited. CMO's and mortgage-backed securities are not considered derivative investments for the purposes of these guidelines. Short selling of securities is prohibited. Unregistered or restricted stocks are prohibited. Commodities are prohibited.
 - Commingled or mutual funds with the exception of bank STIF funds are prohibited.
 - Yankee bonds are limited to 5% of the fixed income portfolio.
 - The portfolio shall comply at all times with applicable laws and regulations. For the purposes of these guidelines, if at any time this document is found to be in conflict with applicable laws and regulations, the statute shall prevail.

As of December 31, 2011, the System had the following investments and maturities:

Investment Type	Fair Value	Maturity in Years	
		Less Than a Year	6 to 10
Debt Securities:			
Money market mutual funds	\$ 2,560,044	\$ 2,560,044	\$ -
Bond mutual fund	7,540,066	-	7,540,066
	<u>10,100,110</u>	<u>2,560,044</u>	<u>7,540,066</u>
Other Investments:			
Equity securities - Domestic	19,118,021		
Equity mutual funds - International	2,901,337		
Pooled mutual fund-PRIM	32,161,047		
Pooled real estate-PRIM	1,661,320		
	<u>\$ 65,941,835</u>		

The bond mutual fund has an average maturity of 6.64 years.

Custodial Credit Risks - Investments

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the System's \$65,941,835 in investments, none were uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the System's name. The System has no policy on custodial credit risk.

Interest Rate Risk

The System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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Credit Risk

The System limits investments in bonds with a minimum quality rating of Baa or equivalent as rated by one or more recognized bond rating services, however, 10% of the market value of fixed income investments may be invested in bonds with a minimum quality rating of Ba or equivalent as rated by one or more recognized bond rating services

The System's exposure to credit risk as of December 31, 2011 is as follows:

Related Debt Instruments	Moody Quality Ratings		
	Fair Value	Aa	Not Rated
Money market mutual fund	\$ 2,560,044	\$ -	\$ 2,560,044
Bond mutual fund	7,540,066	7,540,066	-
	<u>\$ 10,100,110</u>	<u>\$ 7,540,066</u>	<u>\$ 2,560,044</u>

Concentration of Credit Risk

The System may invest up to 15% of the account's assets in high yield securities on an opportunistic basis. There are no qualified investments that are more than 5 percent.

B. Receivables

At June 30, 2012, receivables for the individual major governmental funds and non-major governmental funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Major and non-major governmental funds:			
Property taxes	\$ 323,877	\$ (27,000)	\$ 296,877
Deferred property taxes	21,647	-	21,647
Taxes in litigation	3,120	(2,384)	736
Tax liens	460,065	(81,240)	378,825
Excise taxes	710,275	(370,000)	340,275
User charges	402,630	(5,000)	397,630
Departmental	14,649	-	14,649
Special assessments	241,048	-	241,048
Due from other governments	29,579,960	-	29,579,960
	<u>\$ 31,757,271</u>	<u>\$ (485,624)</u>	<u>\$ 31,271,647</u>

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At June 30, 2012 and (December 31, 2011 for the electric light and cable enterprise funds), receivables for the business-type activities consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<i>Sewer activities:</i>			
User charges	\$ 874,414	\$ (5,000)	\$ 869,414
Other receivables - special assessments (Current)	70,220	-	70,220
Special assessments (Noncurrent)	545,381	-	545,381
	<u>1,490,015</u>	<u>(5,000)</u>	<u>1,485,015</u>
<i>Solid waste activities:</i>			
User charges	73,350	-	73,350
<i>Electric light activities:</i>			
Accounts receivable - customers	2,437,284	(140,000)	2,297,284
Loan receivable	99,331	-	99,331
Other	587,139	-	587,139
	<u>3,123,754</u>	<u>(140,000)</u>	<u>2,983,754</u>
<i>Cablevision activities:</i>			
Accounts receivable - customers	1,094,618	(120,000)	974,618
Other	71,197	-	71,197
	<u>1,165,815</u>	<u>(120,000)</u>	<u>1,045,815</u>
	<u>\$ 5,852,934</u>	<u>\$ (265,000)</u>	<u>\$ 5,587,934</u>

The composition of amounts due from other governments as of June 30, 2012 for governmental funds is as follows:

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Governmental Funds:

General Fund:

Commonwealth of Massachusetts:

Massachusetts School Building Authority:

School Building Assistance - Capital Portion \$ 25,963,903

Department of Veterans Services:

Veterans benefits 68,351 \$ 26,032,254

Sherwood Middle School Constuction Fund:

Commonwealth of Massachusetts:

Massachusetts School Building Authority:

School Building Assistance - Capital Portion 1,545,310

Nonmajor Governmental Funds:

U. S. Department of Education:

School title grants 3,199

Commonwealth of Massachusetts:

Massachusetts School Building Authority:

School Building Assistance - Capital Portion 2,449

Executive Office of Public Safety and Homeland
Security:

Public safety grants 75,776

Massachusetts Highway Department:

Chapter 90 funded projects 1,920,972 2,002,396
\$ 29,579,960

The composition of other receivables in the sewer fund as of June 30, 2012 is the current portion of sewer assessments.

The composition of other receivables in the electric light enterprise fund as of December 31, 2011 is as follows:

SELCO - Cable	\$ 90,335
Due from MMWEC	18,460
Due from town departments	244,546
Merchandise & jobbing receivable	10,560
Government reimbursement receivable	187,698
Other	35,540
	<u>\$ 587,139</u>

The government reimbursement receivable consists of monies expended on Tropical Storm Irene and the October 2011 snow storm.

The composition of other receivables in the cablevision enterprise fund as of December 31, 2011 is as follows:

Advertising receivables	\$ 45,014
Other	26,183
	<u>\$ 71,197</u>

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Other accounts receivable consists of money due to SELCO – Cable for advertising sales. The balance also has monies owed to SELCO – Cable for pole rentals.

SELCO – Cable and SELCO – Electric are both enterprise funds of the Town of Shrewsbury and are under the management of the same Board of Commissioners. The accounts receivable from the Town departments and SELCO – Cable are for reimbursements to SELCO – Electric for costs in connection with shared operating expenses.

The balance of the general fund deferred revenues account is equal to all of June 30, 2012 receivable balances, except real estate and personal property taxes that are accrued for subsequent 60 day collections.

At the end of the current fiscal year, the deferred revenue for property taxes is \$151,877.

The various components of the other deferred revenue reported in the governmental funds were as follows:

General Fund:

Deferred property taxes	\$	21,647	
Taxes in litigation		736	
Tax liens		378,825	
Excise taxes		340,275	
User charges		397,630	
Special assessments		153,547	
Due from other governments		26,032,254	\$ 27,324,914

Nonmajor Governmental Funds:

Special assessments		87,501	
Due from other governments		1,904,346	1,991,847
			<u>\$ 29,316,761</u>

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C. Capital Assets

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 15,385,277	\$ 14,184	\$ -	\$ 15,399,461
Construction in progress	12,564,833	23,679,149	(4,080,380)	32,163,602
Total capital assets not being depreciated	27,950,110	23,693,333	(4,080,380)	47,563,063
Capital assets being depreciated:				
Buildings and Renovations	121,033,460	1,060,457	-	122,093,917
Machinery, equipment and other	6,584,499	464,005	(327,120)	6,721,384
Infrastructure	25,693,732	4,080,380	-	29,774,112
Total capital assets being depreciated	153,311,691	5,604,842	(327,120)	158,589,413
Less accumulated depreciation for:				
Buildings and Renovations	41,524,471	4,125,024	-	45,649,495
Machinery, equipment and other	5,226,523	434,828	(327,120)	5,334,231
Infrastructure	8,075,441	884,597	-	8,960,038
Total accumulated depreciation	54,826,435	5,444,449	(327,120)	59,943,764
Total capital assets being depreciated, net	98,485,256	160,393	-	98,645,649
Total governmental activities capital assets, net	\$ 126,435,366	\$ 23,853,726	\$ (4,080,380)	\$ 146,208,712

Depreciation expense was charged to functions/programs of the governmental type activities as follows:

Governmental Activities:

General government	\$ 50,699
Public safety	478,627
Public works	1,022,016
Education	3,603,775
Health and human services	76,232
Culture and recreation	213,100
Total depreciation expense - governmental activities	<u>\$ 5,444,449</u>

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Business-type Activities

Sewer Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Construction in progress	\$ 45,980	\$ 1,682,800	\$ -	\$ 1,728,780
Total capital assets not being depreciated	45,980	1,682,800	-	1,728,780
Capital assets being depreciated:				
Machinery, equipment and other	487,541	-	-	487,541
Infrastructure	15,741,258	42,955	-	15,784,213
Total capital assets being depreciated	16,228,799	42,955	-	16,271,754
Less accumulated depreciation for:				
Machinery, equipment and other	336,122	36,135	-	372,257
Infrastructure	7,209,145	343,720	-	7,552,865
Total accumulated depreciation	7,545,267	379,855	-	7,925,122
Total capital assets being depreciated, net	8,683,532	(336,900)	-	8,346,632
Total business-type activities capital assets, net	\$ 8,729,512	\$ 1,345,900	\$ -	\$ 10,075,412

Electric light activities
(as of December 31, 2011)

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land and land rights	\$ 139,292	\$ -	\$ -	\$ 139,292
Construction in progress	7,129	4,975	-	12,104
Total capital assets not being depreciated	146,421	4,975	-	151,396
Capital assets being depreciated:				
Electric utility plant	50,869,465	927,096	(24,759)	51,771,802
Total capital assets being depreciated	50,869,465	927,096	(24,759)	51,771,802
Less accumulated depreciation for:				
Electric utility plant	28,282,099	1,526,083	(24,759)	29,783,423
Total accumulated depreciation	28,282,099	1,526,083	(24,759)	29,783,423
Total capital assets being depreciated, net	22,587,366	(598,987)	-	21,988,379
Total business-type activities capital assets, net	\$ 22,733,787	\$ (594,012)	\$ -	\$ 22,139,775

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Cablevision activities
(as of December 31, 2011)

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Construction in progress	\$ 193,786	\$ 394,318	\$ -	\$ 588,104
Total capital assets not being depreciated	193,786	394,318	-	588,104
Capital assets being depreciated:				
Plant investment	36,163,412	2,482,371	(127,711)	38,518,072
Total capital assets being depreciated	36,163,412	2,482,371	(127,711)	38,518,072
Less accumulated depreciation	22,002,258	2,494,431	(103,180)	24,393,509
Total capital assets being depreciated, net	14,161,154	(12,060)	(24,531)	14,124,563
Total business-type activities capital assets, net	\$ 14,354,940	\$ 382,258	\$ (24,531)	\$ 14,712,667

Depreciation expense was charged to functions/programs of the business-type activities as follows:

Business-Type Activities:

Sewer enterprise fund	\$ 379,855
Electric light enterprise fund	1,526,083
Cablevision enterprise fund	2,494,431
Total depreciation expense - business-type activities	<u>\$ 4,400,369</u>

D. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2012, are summarized as follows:

Transfers Out:	Transfers In:			Total
	General fund	Nonmajor governmental fund	Business- type funds	
General fund	\$ -	\$ 989,754	\$ 795,830	\$ 1,785,584
Nonmajor governmental funds	87,382	-	-	87,382
Business-type funds	822,558	-	-	822,558
Total transfers out	<u>\$ 909,940</u>	<u>\$ 989,754</u>	<u>\$ 795,830</u>	<u>\$ 2,695,524</u>

The remaining \$58,317 amount shown on the Statement of Activities represents a transfer that occurred when the year end conversion occurred from a fiscal year June 30th end to a calendar year December 31st year end for the enterprise funds.

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E. Short-Term Financing

Under the general laws of the Commonwealth and with the appropriate local authorization the Town is authorized to borrow funds on a temporary basis to (1) fund current operations prior to the collection of revenues, by issuing revenue anticipation notes, (2) fund grants prior to reimbursements, by issuing grant anticipation notes, and (3) fund capital projects costs incurred prior to selling permanent debt by issuing bond anticipation notes.

Details related to the short-term debt activity are as follows:

Purpose	Interest Rate	Final Maturity Date	Balance June 30, 2011	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2012
Bond Anticipation Notes:						
Land acquisition	1.50%	11/18/11	\$ 6,100,000	\$ -	\$ 6,100,000	\$ -
Water system improvements	1.50%	11/18/11	700,000	-	700,000	-
Land acquisition	1.00%	07/15/11	680,000	-	680,000	-
Sherwood Middle School	1.50%	07/15/11	22,900,000	-	22,900,000	-
Sherwood Middle School	1.50%	07/13/12	-	2,900,000	-	2,900,000
Spring Street School	1.50%	07/13/12	-	725,000	-	725,000
Land acquisition	1.00%	11/16/12	-	6,100,000	-	6,100,000
Water system improvements	1.00%	11/16/12	-	700,000	-	700,000
			<u>\$ 30,380,000</u>	<u>\$ 10,425,000</u>	<u>\$ 30,380,000</u>	<u>\$ 10,425,000</u>

Details related to the short-term debt activity of the business-type activities are as follows:

Purpose	Interest Rate	Final Maturity Date	Balance June 30, 2011	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2012
Sewer Fund						
Massachusetts Water Pollution Abatement Trust - Interim loan						
Sewer interceptor improvements	0.15%	12/15/13	\$ -	\$ 521,736	\$ -	\$ 521,736

F. Long Term Debt

General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Governmental Funds

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2012
Inside Debt:					
Land Acquisition - Conservation	4.74%	06/01/99	06/01/19	\$ 1,473,500	\$ 955,000
Land Acquisition - High School	4.75%	06/01/99	06/01/19	\$ 2,400,000	825,000
High School Construction - Refunded	2.64%	04/15/10	08/15/21	\$ 29,606,000	29,606,000
Land Acquisition - Conservation - Refunded	2.37%	04/15/10	08/15/19	\$ 855,000	855,000
School Renovations - Middle School West	4.05%	11/15/04	11/15/24	\$ 7,400,000	4,810,000
School Addition - Parker Road Preschool	3.72%	11/15/04	11/15/19	\$ 1,250,000	655,000
Elementary School Construction - refunded	4.55%	02/01/05	02/01/16	\$ 514,850	194,150
Elementary School Construction - refunded	4.55%	02/01/05	02/01/16	\$ 4,520,750	1,650,850
Fire Facilities Renovations	3.44%	02/15/08	02/15/26	\$ 6,800,000	5,280,000
Land Acquisition - Credit Union	2.38%	07/14/11	07/01/21	\$ 680,000	680,000
Total Inside Debt					<u>45,511,000</u>
Outside Debt:					
Massachusetts Water Pollution					
Abatement Trust:					
Septic - Title V	N/A	10/25/00	08/01/18	\$ 86,947	33,807
Septic - Title V	N/A	02/01/04	08/01/22	\$ 105,896	61,071
Septic - Title V	N/A	11/16/05	07/15/25	\$ 94,573	66,199
Water Tank	2.96%	02/15/08	02/15/18	\$ 1,250,000	750,000
Middle School Construction	3.59%	07/14/11	07/01/31	\$ 20,000,000	20,000,000
Total Outside Debt					<u>20,911,077</u>
Subtotal governmental type debt					<u>66,422,077</u>
Add:					
Unamortized gain on advance refunding of general obligation bonds					894,336
Total governmental type debt					<u><u>\$ 67,316,413</u></u>

Debt service requirements for principal and interest for governmental bonds payable in future fiscal years are as follows:

Governmental	Principal	Interest	Total
2013	\$ 6,010,963	\$ 2,634,449	\$ 8,645,412
2014	5,935,101	2,448,176	8,383,277
2015	5,885,099	2,245,835	8,130,934
2016	5,825,099	2,030,763	7,855,862
2017	5,350,099	1,796,826	7,146,925
2018-2022	24,791,134	5,508,611	30,299,745
2023-2027	7,624,582	1,745,996	9,370,578
2028-2031	5,000,000	520,000	5,520,000
	<u>\$ 66,422,077</u>	<u>\$ 18,930,656</u>	<u>\$ 85,352,733</u>

TOWN OF SHREWSBURY, MASSACHUSETTS
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June 30, 2012

Sewer, Electric Light and Cablevision Enterprise Funds

Business-type debt

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2012
<i>Sewer activities:</i>					
Inside Debt:					
Massachusetts Water Pollution Abatement Trust - Assebet River consortium	N/A	07/15/01	02/01/21	\$ 490,127	\$ 170,574
Assebet River consortium	N/A	07/23/05	07/15/20	\$ 168,653	97,263
					<u>267,837</u>
<i>Electric light activities: (as of December 31, 2011)</i>					
Outside Debt:					
Installation of transformers	4.23%	08/15/01	08/15/17	\$ 1,760,000	649,000
Electric light plant upgrade	2.52%	02/15/08	02/15/13	\$ 1,000,000	400,000
					<u>1,049,000</u>
<i>Cablevision activities: (as of December 31, 2011)</i>					
Outside Debt:					
CATV Plant (Refunded)	1.62%	09/03/09	06/01/14	\$ 1,769,500	1,030,000
Total Business-Type Funds					<u>\$ 2,346,837</u>

Debt service requirements for principal and interest for the sewer enterprise fund in future fiscal years are as follows:

Year	Principal	Interest	Total
2013	\$ 26,899	\$ 8,415	\$ 35,314
2014	26,898	7,508	34,406
2015	30,117	6,988	37,105
2016	30,117	5,882	35,999
2017	30,117	4,787	34,904
2018-2021	123,689	7,477	131,166
	<u>\$ 267,837</u>	<u>\$ 41,057</u>	<u>\$ 308,894</u>

Debt service requirements for principal and interest for the electric light enterprise funds of June 30, 2012 are as follows: (The electric light enterprise bonds at June 30, 2012, reflect a principal payment of \$200,000 made on and February 15, 2012).

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Year	Principal	Interest	Total
2013	\$ 314,000	\$ 30,110	\$ 344,110
2014	110,000	20,750	130,750
2015	110,000	16,900	126,900
2016	105,000	12,600	117,600
2017	105,000	7,875	112,875
2018	105,000	2,625	107,625
	<u>\$ 849,000</u>	<u>\$ 90,860</u>	<u>\$ 939,860</u>

Debt service requirements for principal and interest for the cablevision enterprise fund as of June 30, 2012 are as follows: (The cablevision enterprise bonds at June 30, 2012, reflect a principal payment of \$350,000 on June 1, 2012).

Year	Principal	Interest	Total
2013	\$ 345,000	\$ 20,300	\$ 365,300
2014	335,000	13,400	348,400
	<u>\$ 680,000</u>	<u>\$ 33,700</u>	<u>\$ 713,700</u>

During the fiscal year ended June 30, 2012 (including the electric light enterprise fund and the cablevision enterprise fund at December 31, 2011), the following changes occurred in long-term liabilities.

TOWN OF SHREWSBURY, MASSACHUSETTS
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	Balance Beginning	Additions	Reductions	Balance Ending	Amounts Due within One Year
Governmental activities:					
Bond Payable:					
General obligation bonds	\$ 50,526,000	\$ 20,680,000	\$ 4,945,000	66,261,000	\$ 5,996,000
Massachusetts Water Pollution Abatement Trust	176,205	-	15,128	161,077	14,963
Compensated absences	1,270,177	192,684	65,474	1,397,387	541,159
OPEB obligation payable	15,933,937	4,221,756	-	20,155,693	-
Add: Unamortized gain on advance refunding	984,224	-	89,888	894,336	89,888
Governmental activity Long-term liabilities	<u>\$ 68,890,543</u>	<u>\$ 25,094,440</u>	<u>\$ 5,115,490</u>	<u>\$ 88,869,493</u>	<u>\$ 6,642,010</u>
	Balance Beginning	Additions	Reductions	Balance Ending	Amounts Due within One Year
Business type activities:					
Sewer activities					
Bond Payable:					
Massachusetts Water Pollution Abatement Trust	\$ 294,736	\$ -	\$ 26,899	\$ 267,837	\$ 26,869
Compensated absences	16,823	161	-	16,984	4,246
OPEB obligation payable	57,829	19,623	-	77,452	-
Total sewer activities long term liabilities	<u>369,388</u>	<u>19,784</u>	<u>26,899</u>	<u>362,273</u>	<u>31,115</u>
Electric light activities:					
(as of December 31, 2011)					
Bond Payable:					
General obligation bonds	1,359,000	-	310,000	1,049,000	314,000
OPEB obligation payable	345,549	-	345,549	-	-
Total electric light activities long term liabilities	<u>1,704,549</u>	<u>-</u>	<u>655,549</u>	<u>1,049,000</u>	<u>314,000</u>
Cablevision activities:					
(as of December 31, 2011)					
Bond Payable:					
General obligation bonds	1,390,000	-	360,000	1,030,000	350,000
OPEB obligation payable	548,259	-	51,214	497,045	-
Total cablevision activities long term liabilities	<u>1,938,259</u>	<u>-</u>	<u>411,214</u>	<u>1,527,045</u>	<u>350,000</u>
Total business type activities	<u>\$ 4,012,196</u>	<u>\$ 19,784</u>	<u>\$ 1,093,662</u>	<u>\$ 2,938,318</u>	<u>\$ 695,115</u>

TOWN OF SHREWSBURY, MASSACHUSETTS
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Advance Refunding – August 26, 2009

On August 26, 2009, the Town issued \$4,465,000 of general obligation refunding bonds with an average interest rate of 1.98 percent to advance refund \$4,400,000 of outstanding bonds with an average interest rate of 4.63 percent. The net amount of \$4,516,872 was paid to provide resources to purchase U. S. government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on the refunded debt. As a result, the refunded bonds, including the business-type bonds, are considered to be defeased and the liability has been removed from the general obligation long-term debt account group and the enterprise fund debt. This advance refunding was undertaken to advance refund \$1,200,000 of the high school land acquisition and \$1,450,000 of conservation land acquisition of governmental activity debt and \$1,750,000 of cable television business-type debt. The advance refunding resulted in an economic loss of \$65,000.

Advance Refunding – April 22, 2010

On April 22, 2010, the Town issued \$31,110,000 of general obligation refunding bonds with an average interest rate of 2.35 percent to advance refund \$32,285,000 of outstanding bonds with an average interest rate of 4.35 percent. The net amount of \$34,781,077 was paid to provide resources to purchase U. S. government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on the refunded debt. As a result, the refunded bonds, including the business-type bonds, are considered to be defeased and the liability has been removed from the general obligation long-term debt account group and the enterprise fund debt. This advance refunding was undertaken to advance refund \$30,745,000 of the high school project and \$880,000 of land acquisition of governmental activity debt and \$660,000 installation of transformers for the light upgrade of business-type debt. The advance refunding resulted in an economic gain of \$1,175,000.

To provide for the payment of the refunded debt, the Town deposited \$34,781,077 into an irrevocable fund designated the "Town of Shrewsbury MA 2011 Refunding Escrow."

Massachusetts Water Pollution Abatement Trust (MWPAT)

The Town is scheduled to be subsidized by the Massachusetts Water Pollution Abatement Trust (MWPAT) on a periodic basis for principal in the amount of \$756,381 and interest costs of \$287,769 for five loans which the Town has borrowed from MWPAT. The gross amount outstanding at June 30, 2012 for principal and interest combined for the loans is \$553,552. The net repayments, including interest, are scheduled to be \$393,824. Since the Town is legally obligated for the total amount of the debt, such amounts for the gross principal have been recorded on the financial statements. The fiscal year 2012 principal and interest subsidies totaled \$103,237.

Legal Debt Limit

Under Section 10 of Chapter 44 of the Massachusetts General Laws a Town may authorize indebtedness up to a limit of five percent of its equalized valuation of the Town. Debt issued in accordance with this section of the law is designated as being "inside the debt limit." The Town's inside debt at June 30, 2012 totaled \$45,778,837.

In addition, the Town is authorized to incur debt outside of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit."

The following is a computation of the legal debt limit as of June 30, 2012:

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Equalized Valuation-Real Estate and Personal Property (2012)		<u>\$ 5,071,030,400</u>
Debt Limit: 5 % of Equalized value		<u>\$ 253,551,520</u>
Total Debt Outstanding		
General Debt:	\$ 66,422,077	
Less: Debt Outside Debt Limit	<u>20,911,077</u>	\$ 45,511,000
Business-type Debt:	\$ 1,796,837	
Less: Debt Outside Debt Limit	<u>1,529,000</u>	267,837
Total Inside Debt		<u>\$ 45,778,837</u>
Inside Debt Excess Borrowing Capacity at June 30, 2012		<u><u>\$ 207,772,683</u></u>

Loans Authorized and Unissued - Memorandum Only

Under the general laws of the Commonwealth of Massachusetts a Town must authorize debt at a Town meeting. This authorized debt does not have to be actually issued at that time and remains authorized until the debt is actually issued or Town meeting votes to rescind the authorized debt. Loan authorizations that have not been issued as permanent long term debt of June 30, 2012 and are not reflected in the Town's financial statements are as follows:

Date of Town Meeting	Purpose	Amount
05/18/09	Sherwood Middle School feasibility study and all design/ project expenses	600,000
02/09/10	Construct new Sherwood Middle School with assistance from Massachusetts Building Authority	24,400,000
05/17/10	Upgrade existing sewer trunk line from Grafton Street to former sewer treatment facility Shrewsbury and Northborough line	1,078,264
05/18/11	Construction and improvements of sewer trunk line from Grafton Street	3,500,000
05/18/11	Roof and window replacements and all other related costs at the Spring Elementary School	585,000
05/24/12	Construction, reconstruction and other improvements of sewer trunk line from Grafton Street to former sewer treatment facility	1,000,000
		<u><u>\$ 31,163,264</u></u>

G. Fund Balances

The following is a summary of the Governmental Fund fund balances of the Town ended June 30, 2012:

TOWN OF SHREWSBURY, MASSACHUSETTS
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	General Fund	Sherwood Middle School Construction Fund	Allen Farm Property Acquisition Fund	Nonmajor Governmental Funds	Total Governmental Funds
Restricted:					
Federal, state and local grants	\$ -	\$ -	\$ -	\$ 882,497	\$ 882,497
School revolving funds	-	-	-	1,353,634	1,353,634
Town revolving funds	-	-	-	101,418	101,418
Donations and gifts	-	-	-	518,546	518,546
Parks and recreation	-	-	-	238,617	238,617
Insurance	-	-	-	515,397	515,397
Debt service	1,319,815	-	-	182,775	1,502,590
Filing fees	-	-	-	285,340	285,340
Sale of cemetery lots	-	-	-	36,395	36,395
Sale of real estate	-	-	-	30,000	30,000
Default accounts	-	-	-	102,536	102,536
Inflow/infiltration	-	-	-	1,231,284	1,231,284
Water conservation	-	-	-	171,672	171,672
Capital projects	-	6,056,601	-	-	6,056,601
Permanent funds	-	-	-	1,900,129	1,900,129
Rowing center fund	-	-	-	558,124	558,124
Other	-	-	-	181,867	181,867
	<u>1,319,815</u>	<u>6,056,601</u>	<u>-</u>	<u>8,290,231</u>	<u>15,666,647</u>
Committed:					
Capital projects	-	-	-	3,165,400	3,165,400
Cemetery	-	-	-	53,313	53,313
	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,218,713</u>	<u>3,218,713</u>
Assigned:					
General government	775,208	-	-	-	775,208
Public safety	108,096	-	-	-	108,096
Public works	3,615,095	-	-	-	3,615,095
Education	434,406	-	-	-	434,406
Health and human services	9,879	-	-	-	9,879
Culture and recreation	72,587	-	-	-	72,587
Employee benefits	-	-	-	42,047	42,047
Fiscal year 2013 budget	<u>2,945,640</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,945,640</u>
	<u>7,960,911</u>	<u>-</u>	<u>-</u>	<u>42,047</u>	<u>8,002,958</u>
Unassigned:					
General Fund	7,466,480	-	-	-	7,466,480
Deficit capital projects:					
Spring Street school green project	-	-	-	(273,407)	(273,407)
Allen Farm property acquisition	-	-	(6,058,902)	-	(6,058,902)
	<u>7,466,480</u>	<u>-</u>	<u>(6,058,902)</u>	<u>(273,407)</u>	<u>1,134,171</u>
Total Governmental Fund Balances	<u>\$ 16,747,206</u>	<u>\$ 6,056,601</u>	<u>\$ (6,058,902)</u>	<u>\$ 11,277,584</u>	<u>\$ 28,022,489</u>

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

H. Special Trust Funds

Stabilization Fund

Under Section 5B of Chapter 40 of the Massachusetts General Laws, the Town may for the purpose of creating a stabilization fund appropriate in any year an amount not exceeding ten percent of the amount raised in the preceding year by taxation of real estate and tangible personal property or such larger amount as may be approved by the Emergency Finance Board. The aggregate amount in the fund at any time shall not exceed ten percent of the equalized valuation of the Town and any interest shall be added to and become a part of the fund. The stabilization fund may be appropriated in a Town at a town meeting for any lawful purpose.

At June 30, 2012 the balance in the stabilization fund is \$349,910 and is reported in the General Fund as unassigned fund balance.

4. OTHER INFORMATION

A. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town has obtained a variety of commercial liability insurance policies which passes the risk of loss listed above to independent third parties.

Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

B. Contingent Liabilities

Litigation

Litigation is subject to many uncertainties, and the outcome of individual matters is not always predictable. Although the amount of the liability, if any, at June 30, 2012, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2012.

Federal Financial Assistance

The Town receives significant financial assistance from numerous federal and state agencies in the form of grants and entitlements. Expenditures of funds under these programs require compliance with the grant agreements and are subject to audit procedures prescribed under the Single Audit Act Amendments of 1996. Any disallowed expenditures resulting from such audits become a liability of the Town.

The outcome of lawsuits and any findings with respect to disallowed expenditures is not expected to materially affect the financial condition of the Town.

Electric Light Enterprise Fund – Power Sales Agreement

The Town of Shrewsbury, acting through Shrewsbury Electric and Cable Operations (SELCO) – Electric, is a Participant in certain Projects of the Massachusetts Municipal Wholesale Electric Company (MMWEC).

MMWEC is a public corporation and a political subdivision of the Commonwealth of Massachusetts created as a means to develop a bulk power supply for its Members and other utilities. MMWEC is authorized to construct, own or purchase ownership interests in and to issue revenue bonds to finance electric facilities

TOWN OF SHREWSBURY, MASSACHUSETTS
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(Projects). MMWEC has acquired ownership interests in electric facilities operated by other utilities and also owns and operates its own electric facilities. MMWEC sells all of the capability (Project Capability) of each of its Projects to its Members and other Utilities (Project Participants) under Power Sales Agreements (PSAs). Among other things, the PSAs require each Project Participant to pay its pro rata share of MMWEC's costs related to the Project, which includes debt service on the revenue bonds issued by MMWEC to finance the Project, plus 10% of MMWEC's debt service to be paid into a Reserve and Contingency Fund. In addition, should Project Participant fail to make any payment when due, other Project Participants may be required to increase (step up) their payments and correspondingly, their Participant's share of Project Capability to an additional amount not exceed 25% of their original Participant's share of that Project's project capability. Project Participants have covenanted to fix, revise, and collect rates at least sufficient to meet their obligations under the PSAs.

MMWEC has issued separate issues of bonds for each of the eight Projects, which are payable solely from, and secured solely by, the revenues derived from the Project to which the bonds relate plus available funds pledged under MMWEC's Amended and Restated General Bond Resolution with respect to the bonds of that project. The MMWEC revenues derived from each Project are used solely to provide for the payment of the bonds of any bond issue relating to such Project and to pay MMWEC's cost of owning and operating such Project and are not used to provide for the payment of the bonds of any bond issue relating to any other Project.

MMWEC operates the Stony Brook Intermediate Project and Stony Brook Peaking Project, both fossil-fueled power plants. MMWEC has a 3.7% interest in the W. F. Wyman Unit No. 4 plant, owned and operated by FPL Energy Wyman IV LLC, a subsidiary of FPL Energy, Inc. and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit operated by Dominion Nuclear Connecticut, Inc. (DNCI) the majority owner and an indirect subsidiary of Dominion Resources, Inc. DNCI also owns and operates Millstone Unit 2 nuclear unit. The operating license for the Millstone Unit 3 nuclear unit extends to November 25, 2045.

A substantial portion of MMWEC's plant investment and financing program is an 11.6% ownership interest in the Seabrook Station nuclear generating unit operated by FPL Energy Seabrook, LLC (FPLE Seabrook), the majority owner and an indirect subsidiary of FPL Group, Inc. The operating license for Seabrook station extends to March 2030. NextEra Seabrook has submitted an application to extend the Seabrook Station operating license for an additional 20 years.

Pursuant to the PSAs the MMWEC Seabrook and Millstone Project Participants are liable for their proportionate share of the costs associated with decommissioning the plants, which costs are being funded through monthly Project billings. Also, the Project Participants are liable for their proportionate share of the uninsured costs of a nuclear incident that might be imposed under the Price-Anderson Act (Act). Originally enacted in 1957, the Act has been renewed several times. In July 2005, as part of the Energy Policy Act of 2005, Congress extended the Act until the end of 2025.

Shrewsbury Electric Light Plant has entered into PSAs and Power Purchase Agreements (PPAs) with MMWEC. Under both PSAs and PPAs, the Department is requested to make certain payments to MMWEC payable solely from Department revenues. Under the PSAs, each participant is unconditionally obligated to make all payments due to MMWEC whether or not the Project(s) is completed or operating and notwithstanding the suspension or interruption of the output of the Project(s).

MMWEC is involved in various legal actions. In the opinion of MMWEC management, the outcome of such actions will not have a material adverse effect on the financial position of the company.

Seven municipal light departments that are Participants under PSAs with MMWEC have submitted a demand for arbitration of a dispute relating to changes under the PSA's. MMWEC cannot predict the outcome of the arbitration demand, but in the opinion of MMWEC management, it will not have a material adverse effect on the financial position of MMWEC.

TOWN OF SHREWSBURY, MASSACHUSETTS
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Total capital expenditures for MMWEC's Projects amounted to \$1,581,599,000, of which \$75,316,000 represents the amount associated with the Department's share of Project Capability of the projects in which it participates, although such amount is not allocated to the Department. MMWEC's debt outstanding for the Projects includes Power Supply System Revenue Bonds totaling \$358,420,000, of which \$18,033,000 is associated with the Department's share of Project Capability of the projects in which it participates, although such amount is not allocated to the Department. As of December 31, 2011, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$380,165,000, of which \$19,178,000 is anticipated to be billed to the Department in the future.

The estimated aggregate amount of SELCO Electric's required payments under the PSAs and PPAs, exclusive of the Reserve and Contingency Fund billings, to MMWEC at December 31, 2011, and estimated for future years is shown below.

For years ended December 31, 2012	\$ 3,923,000
2013	3,747,000
2014	3,501,000
2015	3,310,000
2016	2,860,000
2017 to 2020	1,837,000
	<u>\$ 19,178,000</u>

In addition under the PSA's, the Department is required to pay to MMWEC its share of the Operation and Maintenance (O&M) costs of the Projects in which it participates. The Department's total O&M costs including debt service under the PSA's were \$9,396,000 and \$9,506,000 for the years ended December 31, 2010 and 2009, respectively.

Cablevision Enterprise Fund – Commitments and Contingencies

The cablevision enterprise fund is committed under long-term signal purchase contracts expiring on various dates through 2016.

The following is a schedule by years of the aggregate amount of such required purchases as of December 31, 2011:

For years ending December 31, 2012	6,250,602
2013	5,080,535
2014	3,931,566
2015	912,112
2016	662,010
	<u>\$ 16,836,825</u>

Signal purchase expense under these contracts was \$5,664,164 and \$5,373,034 in 2011 and 2010, respectively.

TOWN OF SHREWSBURY, MASSACHUSETTS
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C. Subsequent Event

Long Term Debt

On November 8, 2012 the Town issued \$6,781,000 of general obligation bonds, the proceeds of which will be used to finance and refinance capital projects of the Town. Interest is payable on May 15 and November 15 commencing on May 15, 2013 at an average rate of 3.07%. The bonds mature on November 15 of the years 2013 through 2032.

D. Other Post Employment Benefits Payable

GASB Statement No. 45

The cost of post employment benefits generally should be associated with the periods in which costs occur rather than in the future year when it will be paid. The Town adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2009, and thus recognizes the cost of post employment benefits in the year when the employee services are received, reports the accumulated liability from prior years and provides information useful in assessing potential demands on the Town's future cash flows.

Plan Description

- The Town provides the following plan types, Blue Cross Blue Shield EPO, Fallon Senior Plan, Fallon Directcare, Fallon Selectcare, Harvard Pilgrim 1st Seniority, Harvard Pilgrim EPO, Harvard Pilgrim PPO, Blue Cross Blue Shield Managed Blue, Medicare HMO Blue, Medex 3, Network Blue New England, Tufts EPO, Tufts Medicare Complement.
- Employees pay various percentages of premiums in retirement.

Funding Policy

The contribution requirements of plan members and the Town are established and may be amended through Town policy and member contracts. The required contribution is based on the projected pay-as-you-go financing requirements. For the 2012 fiscal year, the Town premiums plus implicit costs for the retiree medical program are \$2,161,844 consisting of \$2,157,560 for the governmental activities and \$4,284 for the sewer business-type activities. For the calendar year 2011, the electric light fund and cablevision fund premiums plus implicit costs for the retiree medical program are \$102,074 and \$9,445, respectively.

Annual OPEB Cost and Net OPEB Obligation

The Town's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The following table shows the components of the Town's annual OPEB costs for the fiscal year, the amount actually contributed to the plan and changes in the Town's net OPEB obligation to the plan:

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

	Governmental Activities	Business Type Activities			Total
		Sewer Fund	Electric	Cable	
			Light Fund (as of December 31, 2011)	Operations Fund (as of December 31, 2011)	
Normal cost with interest	\$ 6,282,041	\$ 23,554	\$ 74,245	\$ 132,040	\$ 6,511,880
Amortization of unfunded actuarial accrued liability with interest	97,275	353	122,004	58,191	277,823
Annual OPEB cost (expense)	6,379,316	23,907	196,249	190,231	6,789,703
Contributions made during the fiscal year	2,157,560	4,284	102,074	9,445	2,273,363
Increase in net OPEB obligation	4,221,756	19,623	94,175	180,786	4,516,340
Funding of OPEB trust	-	-	(750,000)	(250,000)	(1,000,000)
Net OPEB Obligation - beginning of year	15,933,937	57,829	345,549	548,259	16,885,574
Net OPEB Obligation - end of year	\$ 20,155,693	\$ 77,452	\$ (310,276)	\$ 479,045	\$ 21,401,914

Note 1

Note 1 = The electric light OPEB obligation is shown as a noncurrent other asset

The governmental activities and the sewer fund's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2012 fiscal year and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/10	\$ 7,209,377	26.5%	\$10,510,263
06/30/11	\$ 7,238,154	24.3%	\$15,991,766
06/30/12	\$ 6,403,223	33.8%	\$20,233,145

The electric light and cable television fund's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2011 calendar year and the two preceding years were as follows:

Calendar Year Ended	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/09	\$ 382,892	20.1%	\$ 594,936
12/31/10	\$ 383,899	22.1%	\$ 893,808
12/31/11	\$ 386,477	28.9%	\$ 168,769

Funded Status and Funding Process

As of June 30, 2012, the most recent valuation date, the actuarial liability for benefits was \$68,074,406 and the actuarial value of assets was \$187,844, resulting in a total unfunded actuarial accrued liability (UAAL) of

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

\$67,886,562. The covered payroll (annual payroll of active employees covered by the plan) was \$54,804,649, and the ratio of the UAAL to the covered payroll was 123.9%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Aid (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
07/01/07	\$ -	\$ 72,976,092	\$ 72,976,092	0%	\$52,977,722	137.7%
07/01/10	\$ -	\$ 89,913,036	\$ 89,913,036	0%	\$58,901,418	152.7%
07/01/12	\$ 187,844	\$ 68,074,406	\$ 67,886,562	28%	\$54,804,649	123.9%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Town OPEB actuarial valuation used the projected unit credit actuarial cost method. The OPEB liability is currently unfunded and the actuarial assumptions include a 4.00% rate of return, net of investment expenses. The actuarial assumptions also include an expected payroll growth of 4.00% per annum and medical care inflation as follows:

Year	Inflation Rate
FY 2010	8.0%
FY 2011	7.5%
FY 2012	7.0%
FY 2013	6.5%
FY 2014	6.0%
FY 2015	5.5%
FY 2016 & After	5.0%

The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar amount open basis.

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Trust Fund

The Town did establish a trust fund in order to contribute funds to reduce the future OPEB liability. As of June 30, 2012 the trust balance is \$1,201,319.

E. Pension Plan

Plan Description

The Town, as a member of the Shrewsbury Contributory Retirement System participates in a cost-sharing multiple-employer defined benefit pension plan administered by the Shrewsbury Retirement Board. Each participating employers' share of the total annual contribution is determined on the basis of active payroll. Substantially, all employees are members of the System, except for public school teachers and administrators who are members of the Commonwealth of Massachusetts Teachers' Retirement System to which the Town does not contribute. Pension benefits and administrative expenses are paid by the Teachers' Retirement Board and are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$7,566,732 for the fiscal year ending June 30, 2012, and, accordingly, are reported in the General Fund as intergovernmental revenues and employee benefit expenditures.

Employee membership data as of December 31, 2011 is as follows

Active Members	553
Inactive Members	131
Retired Members, Beneficiaries and Survivors	<u>242</u>
	<u><u>926</u></u>

The System provides retirement, disability, and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns authority to establish and amend benefit provisions of the plan. Cost of living adjustments granted between 1981 and 1987 and any increases in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Shrewsbury Retirement Board and are borne by the System. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System located at 100 Maple Avenue, Shrewsbury, Massachusetts.

Funding Policy

Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. Chapter 32B of the Massachusetts general laws governs the contributions of plan members and the Town.

The Town's contribution to the System for the fiscal years ended June 30, 2012, 2011 and 2010 is shown below, which equaled its required contribution for each fiscal year.

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Year Ended June 30	Town's Contribution
2012	\$ 3,204,390
2011	\$ 3,096,489
2010	\$ 3,021,849

The following schedules are presented in accordance with the GASB No. 25.

Schedule of Funding Progress
(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Vale of Assets (A)	Actuarial Accrued Liability (AAL) Entry Aid (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/10	\$ 64,467	\$ 91,059	\$ 26,592	70.8%	\$ 22,460	118.4%
01/01/08	65,665	85,257	19,591	77.0%	22,403	87.4%
01/01/06	54,148	75,979	21,831	71.3%	19,897	109.7%
01/01/04	50,857	65,277	14,419	77.9%	17,996	80.1%
01/01/02	46,779	59,313	12,534	78.9%	16,774	74.7%
01/01/00	48,072	49,487	1,415	97.1%	14,065	10.1%

The last actuarial valuation was prepared by Buck Consultants as of January 1, 2010. The actuarial cost method of the plan has been determined in accordance with the individual entry age normal actuarial cost method. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8.25% compounded annually and (b) projected salary, including longevity, increases of 2.5% for 2012, 3.0% for 2012, 3.5% for 2012 and after.

The unfunded actuarial liability for the system is \$26,592,340.

Reporting Policies

The funds of the Shrewsbury Contributory Retirement System are accounted for under the accrual basis. Under the accrual basis of accounting, all revenues and expenditures are accrued and investments are amortized to value. The books are maintained on a calendar year basis from January 1st to December 31st in accordance with the standards and procedures outlined by the Commissioner of the Public Employees Retirement Administration.

Investments are reported in accordance with PERAC requirements.

SUPPLEMENTARY SCHEDULES

TOWN OF SHREWSBURY, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Fund Balances July 1, 2011	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2012
Special Revenue:					
Federal and State Grants:					
School Grants	\$ 661,791	\$ 3,429,086	\$ 3,834,405	\$ (1)	\$ 256,471
Arts Lottery Council Grant	6,110	5,966	5,887	-	6,189
Elderly Programs	7,550	82,264	77,213	-	12,601
Extended Polling Hours	-	4,592	4,592	-	-
Energy Grant (Coolidge)	19,197	75,000	94,197	-	-
Health Grants	23,446	-	23,446	-	-
Highway Grants	-	525,038	525,038	-	-
Lakes and Ponds Grants	14,299	-	-	-	14,299
Library Grants	190,905	44,744	13,017	-	222,632
Other Grants and Programs	8,944	-	-	-	8,944
Public Safety Grants	12,883	128,056	118,267	-	22,672
Schools:					
School Lunch Program	96,429	1,722,620	1,762,239	-	56,810
School Lunch Commodities	-	40,205	40,205	-	-
Revolving Accounts	1,279,277	3,597,699	3,649,719	-	1,227,257
School Choice	92,494	79,568	102,494	-	69,568
State Special Education Reimbursement Fund	934,745	2,281,865	3,026,442	1	190,169
Other:					
Council on Aging Van Revolving	60,273	33,558	24,842	-	68,989
Donahue Rowing Center Revolving	4,186	80,331	30,263	(54,254)	-
Filing Fees	299,253	86,678	100,592	-	285,339
Gifts and Donations	523,549	385,143	390,146	-	518,546
Infiltration and Inflow	1,082,211	149,073	-	-	1,231,284
Insurance Reimbursements	526,478	5,053	16,134	-	515,397
Interest on School Borrowing	71,649	131,833	20,707	-	182,775
Law Enforcement Fund	15,011	4,049	3,250	-	15,810
Parks and Recreation Revolving	230,093	357,793	349,269	-	238,617
Police Off Duty Revolving	2,081	240,580	242,661	-	-
Public Buildings Revolving	6,463	35,360	29,942	-	11,881
Sale of Cemetery Lots	39,852	14,543	-	(18,000)	36,395
Sale of Real Estate	30,000	-	-	-	30,000
Septic Loan Program	10,743	-	-	-	10,743
Septic Loan Repayment Fund	152,445	17,997	-	(15,128)	155,314
Special Needs Recreation Fund	22,513	12,102	14,067	-	20,548
Total Special Revenue Page 64	\$ 6,424,870	\$ 13,570,796	\$ 14,499,034	\$ (87,382)	\$ 5,409,250

TOWN OF SHREWSBURY, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Fund Balances July 1, 2011	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2012
Continued from Page 64					
Special Revenue (continued):					
Other (continued):					
Surety Defaults	102,536	-	-	-	102,536
Water Conservation Fund	117,461	54,211	-	-	171,672
Cemetery Stabilization Fund	44,258	9,055	-	-	53,313
Rowing Center Fund	497,153	6,717	-	54,254	558,124
Workers Compensation Fund	42,048	-	-	-	42,048
Total Special Revenue Funds	7,228,326	13,640,779	14,499,034	(33,128)	6,336,943
Capital Projects:					
Lakeway State Grant	35,000	-	14,204	-	20,796
Library Land Purchase	(680,000)	-	-	680,000	-
Public Works Projects	81,762	292,222	246,260	-	127,724
Spring Street School Green Project	-	268,924	542,331	-	(273,407)
Water Projects	2,392,636	-	162,737	935,500	3,165,399
Total Capital Projects	1,829,398	561,146	965,532	1,615,500	3,040,512
Permanent Funds:					
Cemetery Funds	1,246,905	37,512	315	-	1,284,102
Library Funds	637,160	8,250	29,383	-	616,027
Total Permanent Funds	1,884,065	45,762	29,698	-	1,900,129
Total - Non-Major Governmental Funds	\$ 10,941,789	\$ 14,247,687	\$ 15,494,264	\$ 1,582,372	\$ 11,277,584

**TOWN OF SHREWSBURY, MASSACHUSETTS
SCHEDULE OF REAL ESTATE, PERSONAL PROPERTY, AND
SUPPLEMENTAL TAXES AND DEFERRED PROPERTY TAXES
JULY 1, 2011 TO JUNE 30, 2012**

	Uncollected Taxes July 1, 2011	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2012	Uncollected Taxes Per Detail June 30, 2012
Real Estate Taxes:						
Levy of 2012	\$ -	\$ 52,262,462	\$ 326,180	\$ 51,674,674	\$ 261,608	\$ 261,608
Levy of 2011	364,827	-	47,078	316,857	892	892
Levy of 2010	(8,763)	-	2,913	(11,595)	(81)	(81)
Levy of 2009	375	-	-	(203)	578	578
Levy of 2008	(91)	-	-	-	(91)	(91)
Prior Years	(1,718)	-	543	69	(2,330)	(2,330)
	<u>354,630</u>	<u>52,262,462</u>	<u>376,714</u>	<u>51,979,802</u>	<u>260,576</u>	<u>260,576</u>

Personal Property Taxes:

Levy of 2012	-	746,562	67	742,322	4,173	4,173
Levy of 2011	340	-	11,311	(3,945)	(7,026)	(7,026)
Levy of 2010	(2,334)	-	-	(489)	(1,845)	(1,845)
Levy of 2009	3,033	-	1,083	-	1,950	1,950
Levy of 2008	1,855	-	4,508	93	(2,746)	(2,746)
Prior Years	34,311	-	-	178	34,133	34,133
	<u>37,205</u>	<u>746,562</u>	<u>16,969</u>	<u>738,159</u>	<u>28,639</u>	<u>28,639</u>

Supplemental Taxes

	71,240	48,810	-	85,388	34,662	34,662
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**Total Real Estate, Personal Property,
and Supplemental Taxes**

\$	463,075	\$ 53,057,834	\$ 393,683	\$ 52,803,349	\$ 323,877	\$ 323,877
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Deferred Property Taxes

\$	28,688	\$ 1,307	\$ -	\$ 8,348	\$ 21,647	\$ 21,647
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**TOWN OF SHREWSBURY, MASSACHUSETTS
SCHEDULE OF MOTOR VEHICLE EXCISE TAXES
JULY 1, 2011 TO JUNE 30, 2012**

	Uncollected Taxes July 1, 2011	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2012	Uncollected Taxes Per Detail June 30, 2012
Motor Vehicle Excise Taxes:						
Levy of 2012	\$ -	\$ 4,271,222	\$ 118,724	\$ 3,925,516	\$ 226,982	\$ 226,982
Levy of 2011	186,047	485,653	76,710	541,751	53,239	53,239
Levy of 2010	54,983	729	1,793	26,921	26,998	26,998
Levy of 2009	25,299	-	284	4,978	20,037	20,037
Levy of 2008	27,524	-	286	2,728	24,510	24,510
Prior Years	363,763	-	312	4,942	358,509	358,509
Total Motor Vehicle Excise Taxes	\$ 657,616	\$ 4,757,604	\$ 198,109	\$ 4,506,836	\$ 710,275	\$ 710,275

**TOWN OF SHREWSBURY, MASSACHUSETTS
SCHEDULE OF TAX LIENS AND TAXES IN LITIGATION
JULY 1, 2011 TO JUNE 30, 2012**

	Uncollected Accounts July 1, 2011	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2012	Uncollected Accounts Per Detail June 30, 2012
Tax Liens	\$ 442,823	\$ 201,607	\$ 14,184	\$ 170,181	\$ 460,065	\$ 460,352
Taxes in Litigation	\$ 10,763	\$ -	\$ 2,982	\$ 4,661	\$ 3,120	\$ 3,120